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**Edmond Alphandéry**  
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**Does it fly?**  
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# FINANCIAL TIMES

Europe's Business Newspaper MONDAY MAY 10 1993 D8529A

## Eurofighter costs jump 50% over initial estimates

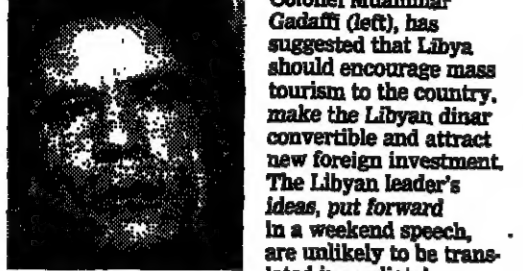
The cost of Eurofighter, the ambitious pan-European defence project, has jumped by more than 50 per cent from original estimates when development of the four-nation aircraft was launched five years ago, according to confidential official figures.

The programme is now expected to cost as much as £23bn (\$45bn) at today's prices. In 1988, the joint venture partners estimated it would cost £21bn. Page 4, Background, Page 4

**Looking to higher taxes:** Edouard Balladur, the French prime minister, will today put his stamp on economic policy with a budget aimed at stemming the rising budget deficit by raising taxes. He will also seek to boost the stalled economy through public works spending. Page 14

**Russian bills:** The Russian authorities plan to press ahead with their often-postponed first Treasury bill issue on May 18. Page 17

**Gaddafi puts case for mass tourism**



Colonel Muammar Gaddafi (left), has suggested that Libya should encourage mass tourism to the country, make the Libyan dinar convertible and attract new foreign investment. The Libyan leader's ideas, put forward in a weekend speech, are unlikely to be translated immediately into practical steps but represent further advocacy by him of moves to liberalise the country's state-dominated economy. Page 6

**Pope praises anti-Mafia judges:** Thousands of Sicilians cheered when Pope John Paul paid homage to judges and prosecutors who tried to clamp down on the Mafia. Page 3

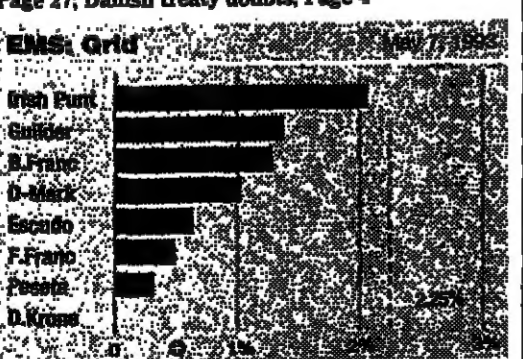
**EC looks east:** Proposals to accelerate the political and economic integration of six former communist countries into the EC will be examined by EC foreign ministers today. Page 2

**Key HDTV meetings:** EC telecommunications ministers will today get their best and possibly their last chance to persuade Britain to agree a strategy for the development of wide-screen, high-quality television in Europe. Page 2

**Minister quits:** Aryeh Dori, Israel's interior minister and head of the ultra-religious Shas party - one of three partners in the Labour-led coalition of prime minister Yitzhak Rabin - submitted his resignation to the cabinet. Page 6

**Generali, Italy's biggest insurance company, is planning a complex capital-raising deal for its Allianz life insurance unit. It also announced slightly higher profits for 1993 after two years of profit falls. Page 16**

**European Monetary System:** The foreign exchange market's focus will be on the Danish krone this week. The currency weakened on Friday, amid fears that Denmark could vote "No" in next Tuesday's referendum on the Maastricht treaty. The currency is now firmly at the bottom of the grid, some 2 percentage points below the strongest currency, the Irish punt. The Dutch guilder remains some 35 basis points above the D-Mark in the grid. This is still close to the Dutch central bank's self-imposed limit of 50 basis points, despite Friday's cut in money market rates. Currencies, Page 27; Danish treaty doubts, Page 4



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band control rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

**Indian Airlines:** troubled state-owned Indian carrier, has been thrown into confusion by the sudden resignation at the weekend of Mr L. Vasudev, chairman and managing director. Page 17

**Plot to be probed:** US investigators are seeking more evidence on whether Iraq was behind a plot to assassinate former President George Bush on a visit to Kuwait last month. Page 6

**Backing expected:** IG Metall, Germany's powerful engineering union, is confident it will receive support for further strike action when it holds fresh ballots in three of the remaining eastern states today. Page 14

**Share swap:** Peter Wood, Royal Bank of Scotland director who is likely to earn more than £10m (\$15.7m) this year from its Direct Line insurance operation, is considering offering to swap his pay bonus contract for bank equity. Page 15

**Fatal manoeuvre:** Seventeen people died when an aircraft crashed into a crowd in the Russian city of Nizhny Tagil during an aerobatic stunt.

## Italian magistrates to oppose parliament on immunity

By Haig Simonian in Milan

ITALIAN magistrates investigating alleged political corruption are to fight the Rome parliament's decision not to lift the immunity of two of the most senior politicians implicated in the widening scandal.

The move to challenge parliament over the immunity of Mr Bettino Craxi, the former Socialist leader, and Mr Severino Citaristi, former administrative secretary for the Christian Democrat party, brings to a head a simmering conflict between the judiciary and the legislature.

It came as Mr Mario Segni, leader of the country's referendum movement, threw the discredited party political framework into further disarray by announcing the creation of a new party to contest general elections expected later this year.

At the same time Mr Giuliano Amato, until last month the

Socialist prime minister, suggested the creation of a new centre-left group which could embrace former Socialists and members of other centre parties.

The move also came amid new leaks and allegations in the corruption investigations.

Last month the chamber of deputies, the lower house of parliament, authorised the lifting of Mr Craxi's immunity on only two of the six requests made by Milan magistrates. The two requests

concerned illegal funding of political parties and alleged corruption in Rome, the least serious of the six issues under examination.

A month earlier the senate, the upper house of parliament, voted similarly in relation to Mr Citaristi, whose immunity was lifted only on the least serious of magistrates' requests.

Milan magistrates will appeal against both decisions to the Constitutional Court, taking the corruption investigation into

largely uncharted constitutional territory.

The magistrates, who believe Mr Craxi could be indicted within two months on the allegations on which investigations have been authorised, argue that parliament exceeded its rights in rejecting the other requests.

The corruption investigations, meanwhile, produced leaked testimony from Mr Antonio Mosconi, a senior Fiat group executive detained earlier this year,

according to which Mr Cesare Romiti, Fiat's chief executive, was allegedly aware of payments to politicians through foreign bank accounts well before the date previously indicated.

The report, in the national news magazine Panorama, came just two days before a meeting of Fiat's board of directors, which is now expected to discuss a new company code of business ethics.

Segni's new party, Page 3

## Bosnian ceasefire eases pressure for western action

By Laura Silber in Belgrade, Lionel Barber in Brussels and George Graham in Washington

A FRESH ceasefire between Serb and Muslim-led forces came into force yesterday throughout Bosnia, easing pressure for early western military intervention.

Calls for western action had become more persistent in the aftermath of the rejection by Bosnian Serb leaders of an international peace plan.

The ceasefire appeared largely to hold for the first few hours. Bosnian president Alija Izetbegovic alluded to sniping and some shelling in the capital, Sarajevo, and what he said was sporadic shooting elsewhere.

General Philippe Morillon, commander of United Nations forces in the former Yugoslav republic, said the ceasefire needed time to work.

Fierce fighting erupted between Muslim forces and their former Croat allies, who were not involved in the weekend ceasefire deal, in several towns in central Bosnia, blocking a key route for humanitarian aid. In the south-western city of Mostar, UN peace-keeping officials said Croat-Muslim fighting started large fires.

However, UN monitors who arrived in Zepa - an enclave in eastern Bosnia where 30,000 Muslims are believed to be trapped by Serbs and which the Security Council has declared a "safe area" - reported no fighting in the region.

The ceasefire was signed by Bosnian Serb army general Ratko Mladic and Muslim commander Sefer Halilovic at Sarajevo airport on Saturday. It declares the besieged strongholds of Zepa and Srebrenica "demilitarised zones" which will be policed by UN monitors. It also calls for the withdrawal of weapons and combatants from the enclaves.

Lord Owen, the European Community mediator, said yesterday that the latest truce may have averted the possibility of rash military intervention against Serb military targets in Bosnia.

"Had the truce not taken effect and the UN not been able to declare the towns of Zepa and Srebrenica as safe areas, Clinton might have had to act," he told Britain's independent television news.

Previous ceasefires have collapsed almost immediately.

EC foreign ministers are expected today to use the ceasefire to continue resistance to US pressure for military action against the Bosnian Serbs.

Despite signs of a more robust attitude among German, Belgian and Italian delegations, majority sentiment led by France and the UK is leaning towards a "wait and see" approach.

In particular, the EC ministers meeting in Brussels want to see if the ceasefire will hold in the light of Serbian president Slobodan Milosevic's decision to cut off all but humanitarian supplies to the Bosnian Serbs.

In Washington on Saturday President Bill Clinton met foreign policy and defence advisers to hear Mr Warren Christopher, secretary of state, report on his trip to Europe last week for discussions with allies on what action to take in Bosnia.

Air strikes or other military action appear to be, at the very least, several days off. Although US officials are dismissive of the usefulness of the referendum that Bosnian Serbs have vowed to hold over the Vance-Owen peace plan, they acknowledge that it, along with Mr Milosevic's promise to stop all but humanitarian supplies to his fellow Serbs in Bosnia, has served to slow the movement towards military action.

US officials appear to be in agreement that Mr Clinton will not and should not move without first gauging the support from Congress, as well as from public opinion. Several senior congressmen said yesterday that there are not, at the moment, enough votes in Congress to support military action.

However, Mr Tom Foley, speaker of the House of Representatives, said that, with United Nations authorisation and European and Russian involvement, he believed Congress would support a request from the president for authority to use military force in Bosnia.

Tired Belgrade stands behind Milosevic, Page 2

## Move will create new problems for administrators Nadir seeks to salvage business empire

By John Murray-Brown in Kyrenia and Robert Fice in London

MR ASIL NADIR, the former chairman of Polly Peck International who jumped bail last Tuesday to return to his native northern Cyprus, says he plans to fly to Turkey to reclaim the remnants of his business empire.

Mr Nadir told reporters over the weekend he would go to the Turkish mainland "sooner than you think". This would create new difficulties for Polly Peck administrators attempting to recover assets. Mr Nadir appears to be planning court action to regain control of his various Turkish business interests.

Such a move could also place strains on Britain's diplomatic relationship with Turkey, as the UK government continues to apply pressure for Mr Nadir's return from northern Cyprus.

Administrators of Polly Peck at accountants Coopers & Lybrand confirmed that Mr Nadir's flight to northern Cyprus had delayed two disposals of group companies worth \$30m after Turkish and Cypriot buyers pulled out because of uncertainty surrounding his intentions.

Mr Michael Jordan, a joint administrator, flew to Istanbul on



Asil Nadir, the founder of Polly Peck International, leaving his villa in northern Cyprus yesterday

## British ruling party faces disarray after poll defeats

By Philip Stephens and Ralph Atkins in London

DISARRAY IN Britain's ruling Conservative party last night threatened to spill over into the cabinet as close associates of Mr John Major, the prime minister, echoed calls from Tory MPs seeking the dismissal of Mr Norman Lamont, chancellor of the exchequer.

Humiliating defeats last week in local elections and the loss of a previously safe parliamentary seat at Newbury, western England, brought conflicting demands on the prime minister from cabinet ministers on how the government should restore its political authority.

Some suggested Mr Major must revamp his political agenda but others dismissed calls for a significant change of direction, although Mr Lamont's cabinet allies insisted that he must not be made a "scapegoat" for the resentment in the country over the recession.

But some of the most influential figures in the government were arguing strongly that Mr Major would not be able to restore his political authority unless he reshuffled his cabinet and installed a new chancellor.

"We need a [cabinet] reconstruction, a fresh start", one commented last night.

As Mr Major prepared for a

detailed review this morning on the causes of the election defeats, the associates suggested that he could not afford to delay such a reshuffle beyond the summer.

Despite the reluctance of senior colleagues to blame Mr Lamont it was clear last night that those who believe he should stay on are in a minority in the cabinet.

Mr Kenneth Clarke, home secretary, acknowledged on BBC radio that the government was "in a dreadful hole". On the centre-left, pro-European wing of the Conservative party, Mr Clarke said the government needed to get across "our view of this country in Europe" and to set tackling crime as a high priority. He regretted the "parliamentary tangle" over Maastricht and Britain's exit from the European exchange rate mechanism.

In contrast, Mr Michael Portillo, chief secretary to the Treasury, stressed in a BBC television interview the priorities of the Tory right: "Sound money which means controlling inflation... sound public finances, which means the government not living beyond its means, and controlling the size of the state."

Mr Portillo said Mr Lamont had done an "outstandingly good job... every time he goes to the House of Commons he receives a tremendous vote of confidence."

The prime minister is expected to be told today that he needs to reassert his authority as leader. However ministers are adamant that Mr Major should not be forced into a "panic" reaction. In spite of the unrest, a Tory party leadership challenge is regarded as highly unlikely this year.

An further test for Mr Major will come this afternoon (Mon) when MPs debate the extension of value added tax to domestic fuel - acknowledged yesterday by Mr Portillo as a cause of Tory losses last Thursday.

Tory MPs were challenged by Ms Harriet Harman, the opposition Labour party's treasury spokeswoman, to rebel against the government plans when the House of Commons debates the Finance Bill, implementing the March budget.

"These increases were one of the main causes of anger on the doorstep during the last few weeks and undoubtedly played a big part in the Tories' massive defeat," Ms Harman said.

Meanwhile, Mr Michael Howard, environment secretary, rebuffed suggestions that the local election results would force Tories in pacts with opposition parties. "Where we neither have an overall majority nor support from other councillors for our policies, we will go into opposition and lose no opportunity to scrutinise and attack the inadequate policies of the Lib-Labs," he said.

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## NEWS: INTERNATIONAL

# US irritation grows over Europe's Bosnian stance

By George Graham in Washington

AFTER a week of intensive discussions between Mr Warren Christopher, US secretary of state, and European governments, the Clinton administration appears to be little nearer a decision on what to do in Bosnia-Herzegovina.

On Friday, after meeting leaders of the European Community in Washington, President Bill Clinton was at pains to argue that there remained no more than "some disagreement around the edges" between the US and Europe over the conflict.

But some administration officials appear frustrated by what they see as a willingness in European capitals to delay taking action against Bosnian Serbs. This is coupled with irritation at Europe's perceived ambivalence over US leadership. European governments want Mr Clinton to take the lead, but they do not like the direction he wants to lead them in.

Senator Richard Lugar, the senior

Republican on the Senate foreign relations committee, said: "They may prefer that Serbia simply finishes the war, and the war out there, and that it not be extended by rearming the Bosnians. I think we have a different view and our view, I believe, must prevail."

Ambivalence, however, is just as widespread in Washington as in London or Paris. Congress is deeply split over the issue and a long way from embracing even limited US military involvement, such as air strikes, and opinion is split within the administration. "It appears to me the president is as confused as we are," said Senator Howard Metzenbaum, a Democrat from Ohio.

Although Mr Clinton appears determined to act, he shows signs of annoyance that Bosnia is distracting him from his promise to "focus on the economy like a laser beam". He would evidently prefer some swift and limited action that would permit him to return his attention to domestic issues.

Mr Clinton said on Friday that if he

were to ask for congressional approval for the use of air power in Bosnia, he would lay out "very clear tactical objectives" which would have "a beginning, a middle and an end".

Beyond the general promise that the US will not be sucked into an endless engagement, as it was in Vietnam, Washington takes this to mean a short US air campaign intended to freeze the conflict until Bosnian Muslims can be given heavy weapons to defend themselves.

The use of US ground troops remains, however, ruled out - although there is some lingering embarrassment in Washington that this refusal is hard to justify if Serbian actions do, in fact, represent a genocide comparable to that of Nazi Germany.

While some members of Congress are now beginning to consider troop deployments, although they are still heavily outnumbered, popular opinion remains strongly opposed not only to the use of ground troops but also to air strikes.



Christopher: held intensive talks

# Old guard gathers to praise God and Stalin

A DEMONSTRATION by

30,000-40,000 nationalists and communists in central Moscow yesterday was anti-climactically peaceful compared with the May Day gathering of 5,000 in Gagarin Square, where one person was killed and some 500 injured.

Lieutenant Colonel Stanislav Terekhov, leader of the Union of Officers, had agreed with the Moscow City council that the march on the anniversary of the defeat of Nazi Germany would be peaceful, and it was.

It was even moving, as old soldiers, medals tinkling, stepped down the broad streets while patriotic hymns belted out.

Synabols which have been at conflict for decades were much in evidence. Orthodox crosses, Russian imperial flags and the hammer and sickle all vied for attention. On the front of the rocket transporter carrying some of the main representatives in the parade were two portraits of Stalin and, on the side, an icon of the Virgin.

In Triumph Square, Col Terekhov introduced a bevy of speakers, whose normal garrulity he strictly controlled. The nationalists and communists pose no great threat to President Boris Yeltsin, but yesterday they delivered a string of nationalist-Stalinist obsequies to the Soviet Union, to God and to the victory won under Stalin.

Mr Sergei Baburin, Mephistophelean leader of Russian Unity, said: "Yes, the French [Yeltsin] have again occupied

the Kremlin but they will soon be on the road to Smolensk."

General Albert Makashov, the Stalinist who challenged Mr Yeltsin for the presidency two years ago, claimed Russia was a holy land. He ended his speech by seizing an old priest who was blessing everyone, kissing him three times on the cheeks - to his obvious surprise - and shouting "Hurrah".

In two incidents the anti-semitism displayed on many of the signs was brought to life. In one, two elderly men commented with approval on

dozen western photographers were snapping the image of impoverished contemporary Russia, and giving him more money than he would normally clear in a month.

Some communists, seeing this, came over and began nudging the beggar with their feet and chasing away the photographers. One man, seeing me taking notes, came over and yelled: "Make sure you write that all the Jews should end up in Babi Yar" - site of the mass grave in Kiev where a large number of the city's Jews were thrown after being shot in 1942.

A former officer came up, expressed disapproval of his comrades and said: "That's not necessary. We were together in the war." And now? "Now things are pretty rough. But still, we have a lot of nationalities here who lived well together in the Soviet days."

Those bearing the pictures of Stalin and the Jew-baiting banners bobbing about in Red Square looked for a call to arms and, hearing none, dispersed into groups of passionate argument.

Before the Bolshoi Theatre across the way Mrs Anna Lichinski held a picture of a young man; the wording below it said that this was her father, Vladimir, missing from the front from November 1942. "If anyone has information, please address themselves to his daughter."

She had been coming here, she said, for 40 years.

# Tired Belgrade stands behind Milosevic

By Laura Silber in Belgrade

UNDER threats of military intervention and worried about plunging standards of living, people in Belgrade appear to have accepted the apparent abandonment by Serbian President Slobodan Milosevic of his Bosnian kin. Nearly 70 per cent of the population supports the Vance-Owen plan, more than double the figures of last month, an opinion poll shows.

Most inhabitants of the Serbian and federal capital also seem to welcome Mr Milosevic's move to cut off all supplies, except food and medi-

cine, to Bosnia after the dismissal by Bosnian Serb leaders of Belgrade's appeals to back an international peace plan.

"The most important thing is peace. Milosevic should support any plan which creates the conditions for peace," says Nada, a 50-year-old schoolteacher, reciting almost verbatim the daily fare of state-controlled Belgrade Television.

"Belgrade Television now says that everyone supports the plan. Last week we were all supposedly against it," says Sasa, a computer programmer, worried about whether he could afford another half kilo

of potatoes at Kalenic vegetable market.

Most people appear confused by Mr Milosevic's sudden policy shift but support his calls for peace. Worn down by uncertainty and increasing economic deprivation, they want to believe the war is over.

However, many do not believe that the terms of peace will exclude eventual unification of the Serb territories.

This message, that what has been gained in the war can be cemented in peace, has been the main pillar of Mr Milosevic's new campaign. Last week he and other Belgrade

power brokers tried to persuade Mr Radovan Karadzic, the Bosnian Serb leader, to back the plan, on the grounds that their forces have accomplished most of their goals.

They appear confident the plan will fail to restore a multi-ethnic Bosnian state. "If Yugoslavia could not survive I think it will be impossible to rebuild a multi-ethnic Bosnia," says Sasa.

The UN imposed tough new sanctions on Yugoslavia, now comprising Serbia and Montenegro, after the self-styled Bosnian Serb assembly rejected the peace plan to divide Bosnia

into 10 provinces along ethnic lines.

"They should have signed the peace plan. Karadzic does not have the right to force Serbia and Montenegro to make sacrifices," says Toma, a peasant who fled Bosnian Croat troops in Mostar, western Bosnia.

A grizzled elderly woman, backing the rejection by the Bosnian Serb assembly, mutters how the three ethnic groups will never again be able to live together in Bosnia.

But Toma disagrees. "More sanctions will make it impossible for us to survive."

# US adopts softer Ukraine line

AFTER months of trying to strong-arm Ukraine

into surrendering its nuclear missiles, the US appears to be taking a softer line, writes Chrystia Freeland in Kiev. The new approach will be unveiled today when Mr Strobe Talbott, Washington's leading policy maker on the former Soviet Union, holds a series of meetings with senior Ukrainian officials and MPs.

He will not, however, be meeting either Ukraine's president or its prime minister, a sign of the current coolness in relations with the US.

Mr Talbott said he would like to shift the US-Ukrainian relationship from its focus on

nuclear weapons to a wider range of issues.

"It is important not to be a one-note Johnny. What we want to do is engage the Ukrainian government in a dialogue about the relationship in all of its aspects, rather than just dwelling on one subject, important as that subject may be."

Mr Talbott also emphasized that the US "wants to develop a relationship with Ukraine in its own right," separate from that with Russia.

US relations have deteriorated over the past few months as Washington pressed Kiev to fulfil its earlier pledge to become a non-nuclear state.

# Brussels sounds out plans for E Europe

FAR-REACHING proposals to

accelerate the political and economic integration of six former communist countries into the EC are to receive a first hearing among EC foreign ministers today, writes Lionel Barber in Brussels.

The meeting in Brussels is likely to show whether the European Commission's plans for improved, across-the-board access for east European products can win endorsement at next month's EC summit in Copenhagen. Proposals for freer trade with Russia are also on the agenda.

The UK, Germany and Denmark are fully behind the Commission's bolder than expected approach toward the east Europeans, but Spain and Portugal

are calling for prudence.

Today's meeting is also expected to include calls for recalcitrant EC member states to ratify the European Agreements offering trade liberalisation to Poland, Hungary, the Czech Republic, Slovakia, Romania and Bulgaria.

The agreements have been in effect for more than a year for Poland and Hungary, but have been ratified only by the UK, Ireland, Denmark, Luxembourg and Spain. Free-trading

Germany has delayed; it is expected to ratify along with the Netherlands, Greece and Italy by August. France has legal problems, Portugal has translation difficulties, and Belgium has "internal procedural problems".

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The following table summarises the authorised and issued share capital of the Company in respect of which admission to the Official List is sought:

Authorised		Issued and fully paid	
Nominal Value	Number of Shares	Nominal Value	Number of Shares
£215,000,000	30,000,000	£28,807,984.50	17,615,969

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10 May 1993

# Segni announces a new political party

By Haig Simonian in Milan

MR Mario Segni, the leader of Italy's referendum movement, threw the country's party political framework into disarray at the weekend after announcing the creation of a new party to contest general elections expected later this year.

Mr Segni left the Christian Democrats earlier this year in protest at their inability to reform and distance themselves from members facing allegations of political corruption and links with organised crime.

Since then, Alleanza Democratica (Democratic Alliance), the loose political grouping formed around Mr Segni earlier this year, has coalesced amid signs it could present a serious threat to the Christian Democrats, and possibly other centre-right parties, at the polls.

Mr Segni's move came a day



Segni: fights poll this year

after Mr Giuliano Amato, former Socialist prime minister, indicated he was also interested in promoting political change.

In an interview with La Stampa, the Turin newspaper, Mr Amato suggested the cre-

ation of a new centre-left group which could embrace former Socialists and members of other centre parties.

The signs that Mr Amato had reconsidered his decision to leave politics after 10 months as Italy's prime minister were welcomed by a number of politicians.

Mr Amato, believed to have turned down the Foreign Ministry in the new government of Prime Minister Carlo Azeglio Ciampi, was widely praised for steering the country through one of the most difficult post-war periods.

Mr Segni's and Mr Amato's statements triggered immediate reactions from the Christian Democrat and the Socialist leaderships. Mr Mino Martinazzoli, Christian Democrat leader, poured scorn on the Democratic Alliance, while expressing hopes that Mr Segni might return to the fold.

The new alliance was no

more than "a cylinder into which everyone wants to put something", said Mr Martinazzoli. "I don't agree with Segni when he says that innovation means getting rid of the Christian Democracy."

Separately, Mr Giorgio Benvenuto, Socialist leader, made clear his readiness to offer Mr Amato a senior party position. The Socialists have been rocked by the departure of a number of senior figures recently in protest at the support of many MPs for Mr Bettino Craxi, their former leader.

Meanwhile, the Lega Nord, the regional autonomist grouping headed by Mr Umberto Bossi, confirmed it would change its name in an attempt to broaden its electoral base and shake off its lingering racist image.

The party will call itself the "Italian Federal League" in central and southern Italy while retaining its "Lega



Amato: widely praised

Nord" title in the north.

The simmering divisions within the Christian Democrats and Socialists have been exacerbated in the run-up to important local polls on June 6, which will be the biggest test of political support since

last year's general elections.

Attention has focused in particular on Milan and a few other big cities, where a new law on the direct election of mayors will be put to the test.

The mayoral race in Milan, a former Socialist stronghold, has attracted 12 candidates. However, in a measure of the demise of a party whose word once held sway in the city, Mr Pietro Borghini, Milan's former mayor, made clear at the weekend his preference not to have formal support from the Socialists for his candidature.

Mr Borghini, mayor until the city council collapsed earlier this year, was a Communist party member before being appointed mayor as an independent with Socialist backing. Milan has been run by a senior civil servant from the Interior Ministry, pending new elections, after local politicians failed to agree on a new city council.

# Pope denounces Mafia actions

THOUSANDS of Sicilians cheered yesterday when Pope John Paul paid homage to judges and prosecutors who tried to clamp down on the Mafia, AP reports from Agrigento, Sicily.

"During this latest visit in Sicily, I can't help but recall, with particular emotion, those who, in affirming the ideals of justice and law, paid for their commitment to the struggle against the violent forces of evil with the sacrifice of their lives," John Paul told a crowd outside Agrigento's cathedral.

Barely a decade ago, hardly any one in Sicily, let alone a pope, dared denounce the Cosa Nostra openly. But in the 10 years since John Paul II became the first modern pontiff to come to the island, seeds of protest have taken root.

The killings of prosecutors Giovanni Falcone and Paolo Borsellino - Italy's leading Mafia investigators - fueled anger against the Cosa Nostra across the island. They were the latest in a long series of prosecutors, judges, police, journalists and politicians murdered by the mob. "They are martyrs of justice, indirectly of the faith," said the pope.

Mafia bosses in Agrigento are considered second in power only to the Palermo families and the Corleone mobsters under recently captured "boss of bosses" Salvatore "Totò" Riina.

# EC telecoms ministers to press UK on HDTV

By Andrew Hill in Brussels

EC telecommunications ministers will today get their best and possibly their last chance to persuade Britain to agree a strategy for the development of wide-screen, high-quality television in Europe.

Denmark, which holds the EC presidency, has indicated it will do its utmost to get unanimous agreement on plans to promote European high-definition television (HDTV) at today's meeting in Brussels.

But the UK, which has blocked all previous compromises over the last 18 months, is still reluctant to commit itself to new Danish proposals, even though they go further than ever towards meeting British demands.

In particular, British officials say that Mr Edward Leigh, the hardline UK telecoms minister, will not discuss funding for a new strategy until the substance has been agreed.

"If the Danes begin with a discussion on money, it will be a very short meeting," warned one official on Friday.

If the UK continues to veto a deal then other member states may finally have to abandon their ambitions for development of European HDTV, based on a central action plan and EC funding for broadcasters and programme-makers.

That would cause a political

**The UK is still reluctant to commit itself to new proposals from Denmark**

storm because of the amount of time and public money which has already been ploughed into advanced television equipment and programmes in anticipation of continuing EC support.

Mr Michel Carpentier, head of the European Commission's telecommunications directorate for the past 10 years and a firm advocate of HDTV, warned last week that today's meeting was "all or nothing."

But in practice, the political stakes are so high that if there is any progress today, Denmark may allow negotiations to continue at an extra meeting of telecoms ministers on June 16.

The Danish compromise tries to answer British objections by suggesting that companies seeking Community backing would have to meet at least half the cost of promoting advanced television themselves.

Funding for a five-year plan, originally set at Ecu850m (£671m) by the Commission, would be substantially reduced, although advocates of HDTV are unlikely to settle for less than Ecu200m over five years.

The Danes are focusing on the development of a wide-screen format, not tied to particular standards, and invite the Commission to come up with new proposals to accelerate the development of digital HDTV standards, which Britain argues will soon supersede the original EC norms.

Lifting the lid, Leader page

# TV single market still far off



For the European consumer electronics industry, the single market is taking time to arrive, write Alan Cane and Michio Nakamoto.

Mr Gerard Nauwelaerts, secretary general of the European Association of Consumer Electronics Manufacturers, sums up the gap between aspiration and reality. The single market, he says, "has not happened because the consensus and co-operation process is still much too slow, and the consultation system is very costly".

Does Europe need a Community-wide communications agency to set and promote electronics standards along the lines of the US Federal Communications Commission? In an ideal world, the answer would be yes.

Europe, however, already has a number of standards-setting bodies in the forms of the European Telecommunications Standards Institute (Etsi), the Comité Européen de Normalisation (Cen) and the Comité Européen de Normalisation

Electrotechnique (Cenelec).

It could prove difficult to merge them into one organisation. And as Mr Hugh Peitor, director of Bremen, the UK consumer electronics trade association, says: "We should try to make our existing organisations work."

Mr Peitor says Europe's telecommunications ministers, who meet today in Brussels, should be able to carry out the job of a European-style FCC. The saga of high definition television (HDTV) in Europe, however, illustrates the difficulties of putting this idea into practice.

Television is the most important element in European consumer electronics. But unless Europe can settle a strategy for HDTV - television which will give cinema-like clarity and quality - it could fail to reap the full benefits of a harmonised market.

The structure of the present EC market for conventional TVs and VCRs (video cassette recorders) highlights the problem. It is a largely disparate collection of national markets, employing differing transmission standards and specification requirements, with widely

varying patterns of distribution and purchasing.

European consumers have not benefited from the cross-border price competition the single market was designed to bring about. As a result, they are at a disadvantage compared with people in the US. Prices diverge widely from country to country and in some markets touch on the exorbitant.

**European consumers are at a disadvantage compared with those in the US**

"You may never be able to talk of Europe as a single market as far as TVs go," says Ms Iris Merker, consumer electronics representative for Philips, the Dutch manufacturer which has the largest share of the European market.

The diversity of standards is a headache for local manufacturers. There are two main television standards in Europe, PAL and SECAM. But a plethora of variations makes it nec-

essary for manufacturers to produce several different versions of each model.

Philips says it currently makes over 400 versions of several different models of televisions to meet the different standards and requirements for each EC country.

For example, it produces 90 different types of a particular high-end model with stereo sound to meet different requirements in EC markets.

In addition, safety and environmental regulations and bureaucratic paperwork differ from country to country.

The result is that manufacturers of TVs and VCRs must operate several different production lines and employ specialist staff able to handle legal and social matters for different countries.

The manufacturers hoped Europe's HDTV programme would offer a way through the EC standards morass. The Community's failure to agree Ecu500m (£395m) of HDTV funding dented this optimism, however, and ministers now have to recognise that the plan to harmonise standards is still a very long way from bearing fruit.

# Demirel fails in first ballot

TURKEY'S parliament failed at the weekend to elect a new president in the first ballot when Mr Suleyman Demirel, the front-runner, did not win the two-thirds majority required, our foreign staff and Reuter report.

Prime Minister Demirel, tipped as the most likely candidate to replace Mr Turgut Ozal, who died of heart failure last month, received 234 votes from the 450-member single-chamber Grand National Assembly.

A second ballot will be held on Wednesday, at which the winner also needs a two-thirds majority, and if necessary a third on May 16, when only a simple majority is required. Seven times prime minister and twice ousted by the military, the 69-year-old Mr Demirel has been a feature of the Turkish political map for almost three decades.

There is some disappointment that he is keen to take up a largely ceremonial post, leaving the government without strong leadership.

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## NEWS: INTERNATIONAL

## Eurofighter fails to find its wings

TO THE embarrassment of all concerned, the Eurofighter is not yet airborne. The prototype of the European Fighter Aircraft, re-baptised Eurofighter 2000 last year, should have flown in 1991, but crucial equipment and software is still awaited.

Managers of the joint venture between Britain, Germany, Italy and Spain - which is now expected to cost £32bn - say the aircraft should fly at Manching in Germany in September. But technical delays are not the only problem.

German funding for development work has almost dried up. Five months after a ministerial agreement in December to re-define the project and keep the four-nation partnership, new contract terms are not settled.

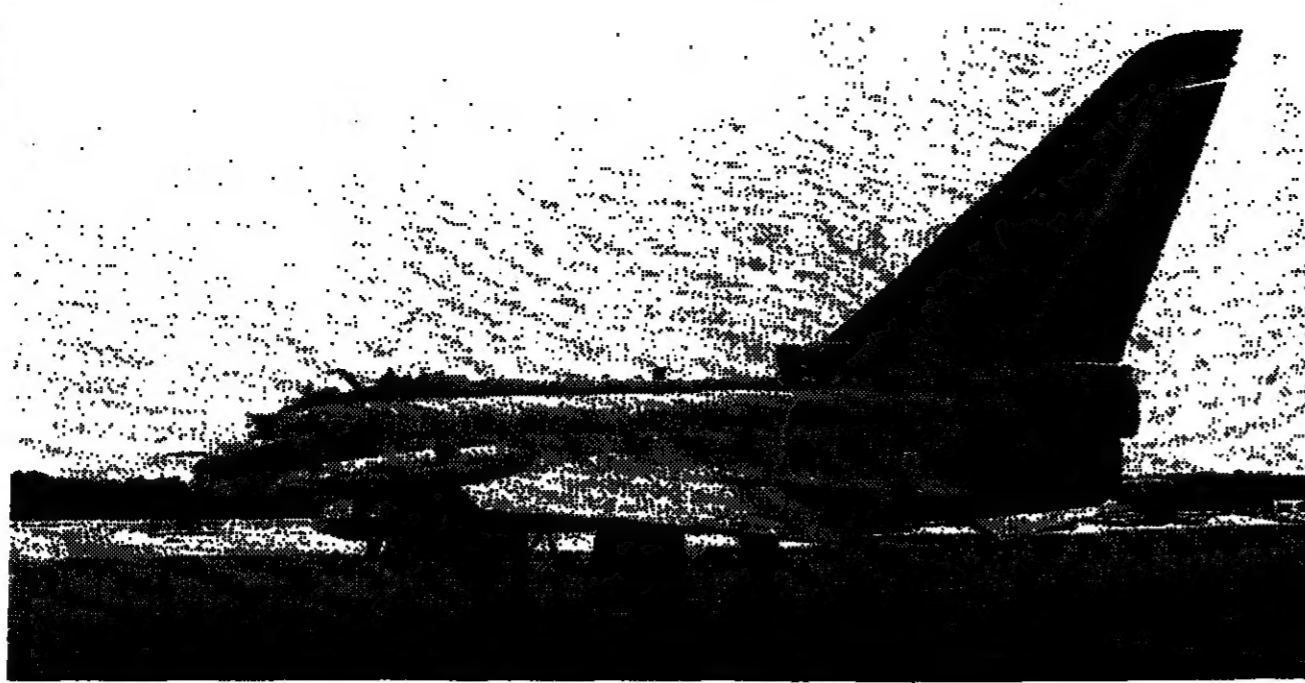
It is also unclear how the partners will share production work. Eurofighter, the consortium between British Aerospace, Daimler-Benz's Deutsche Aerospace (Dasa) subsidiary, Alenia of Italy and Casa of Spain, is unable even to say who will make the starboard wing.

The four governments have agreed, for budgetary reasons, to delay the target date for the first Eurofighters entering service by two years, to 2000. Germany and Spain do not want their aircraft before 2002. But officials say the consortium could not have met the original schedule anyway.

At the end of last year the aircraft's electrical generator, supplied by a joint venture between Ferranti International of the UK and the Bendix division of Allied Signal of the US, failed its reliability tests. Fitting an existing generator, heavier and underpowered for the fighter's needs, delayed the first flight by five months.

This was less serious than software problems with the "fly-by-wire" flight control system. The aircraft relies on a computerised system to work its flaps, rudder and the front winglets known as "canards".

Dasa has overall responsibility for the system but the software comes from GEC-Marconi of the UK. A joint task force including more than 20 British engineers is in Munich carrying out tests on the system.



Grounded: the Eurofighter prototype, with German airforce markings, is still unable to fly

The revised Eurofighter project was designed to allow nations to equip aircraft according to their needs and budgets - the result of Bonn's objection to the project's high price. But the "menu" approach obscured the question of overall costs. British government and industry officials argued that since Germany followed unique accounting principles, which included in-service costs, its figures could not be translated into sterling estimates.

It is now clear that the price asked by the consortium in April 1992, prompting the German crisis, was higher than expected. Reductions forecast in the revised programme were against that price; they were expected to range between 12 and 23 per cent.

Britain's saving was put at 14 per cent, through improved manufacturing arrangements and economies in logistical support. But the extra cost in sterling of German components, following the UK's withdrawal from the exchange rate mechanism of the EMS, has reduced the expected saving to 11 per cent.

Mr Volker Ruhe, German

defence minister, tried last year to kill the project and have it replaced by a new, smaller aircraft. He failed, but had already cut the funds allocated for Germany's share of the development programme this year. The issue has still to be resolved.

Mr Hartmut Mehdorn, new president of Dasa's aircraft

division, says the company

itself might provide the neces-

sary finance. "If there are some

short-term holes, we are ready

to help out," he said. But the

company, which has had to

baile out some of its sub-con-

tractors, would claim for the

financial charges, adding to

programme costs and possibly

heralding further budget argu-

ments.

The "silly situation", as Mr

Mehdorn calls it, over German

funding has clouded work on

the revised project. In contrast

to the high-profile agreement

in December, junior ministers

from the four countries agreed

on a new programme at a

meeting in Bonn on April 5. Under this, contracts for setting up production will not be let until 1995, after the next general election in Germany.

Britain consented to a slowing down of the programme only if it did not raise overall costs. The engine consortium Eurojet - comprising Rolls-Royce, Dasa's MTU off-

concluded in the third quarter,

coinciding with the first flight.

Germany's share of produc-

tion work has yet to be

resolved. Its 33 per cent share

in development was based on

an expected purchase of 250

aircraft, while the current fore-

cast is 140. Mr Mehdorn says

he expects Germany will end

up buying more aircraft and is

seeking to maintain the same

level of participation.

The partners want to elimi-

nate the more glaring ineffi-

ciencies resulting from collab-

oration. For example, the

radome which covers the radar

on the aircraft's nose takes 300

days to produce and spends

more than 100 of them moving

from one country to another.

There is also an overlap

between Britain and Spain on

the starboard wing. The other

wing is Italian.

Administrative structures

must also be rationalised.

Eurofighter, Panavia (an

Anglo-German-Italian company

overseeing the Tornado project)

and two intergovernmental

management agencies work

side by side in a Munich build-

ing. But rivalry makes a

merger unlikely for another

two years.

## David White on a swathe of cash disputes and technical delays

shoot, Fiat and ITP of Spain - is expected, however, to receive an increase of up to 5 per cent on its fixed-price development contract to cover a longer period of flight tests.

Eurofighter, responsible for

the aircraft itself, is also seek-

ing an increase.

Government officials say

that since Eurofighter is

behind with its programme,

"the cost consequences are

theirs".

Officials are anxious, how-

ever, to prevent a row emerg-

ing over responsibilities. They

expect new four-nation memo-

randas of understanding and

development contracts to be

## Attack on German hostel for refugees

A HOSTEL for foreign refugees was firebombed and a graveyard for victims of Nazi persecution was wrecked in the latest attacks blamed on right-wing extremists in Germany, police said yesterday. Reuter reports from Berlin.

No one was injured when a petrol bomb thrown at a refugee home in eastern Germany on Saturday night failed to ignite.

Police could not immediately say how many people or what nationalities lived in the hostel in Teterow district in the northern state of Mecklenburg-Vorpommern.

In the state capital Schwerin, police said vandals toppled 81 tombstones at a cemetery commemorating those who died resisting Nazi rule.

It was not known who wrecked the graveyard on Friday night. Refugees from impoverished eastern Europe and the developing world, drawn by Germany's liberal law on political asylum, have been the chief targets of brutal attacks by neo-Nazis in the past 18 months.

## Danish doubt over treaty

LESS THAN two weeks ahead of a second referendum on closer European union, Danish support for the Maastricht treaty has dropped to less than 50 per cent, according to a survey published yesterday, AP reports from Copenhagen.

The Gallup Institute said 46 per cent of voters polled backed the treaty, down from 51 per cent a week ago. The number of opponents swelled to 34 per cent from 30 per cent during the same period.

The trend is in spite of the treaty exemptions granted to Denmark. These include staying out of a common currency and joint defence.

## SPD begins search for a new leader

By Ariane Genillard in Bonn

LEADERS of Germany's battered opposition Social Democrats yesterday met behind closed doors to discuss finding a successor to Mr Björn Engholm, the former party chief whose abrupt resignation last week threw the party into disarray.

The 13 members of the SPD presidium have swiftly to find a new party leader and challenge the Chancellor Helmut Kohl to ensure the party's credibility ahead of state and national elections next year.

The SPD is considering moving the annual party conference, due in autumn, to June to cut the time the party leadership is left vacant. It is also debating whether the next party chief will automatically become the rival candidate to Mr Kohl.

SPD politicians have also been calling for the party's 900,000 members to have a say in the election of the next party leader. Such a move

would help ensure a new leader had grassroots support.

Members of the presidium were meeting state party leaders last night. Discussions are due to continue today within the executive board of the SPD.

Leading candidates for the post include Mr Gerhard Schröder, prime minister of Lower Saxony, and Mr Rudolf Scharping, prime minister of the Rhineland Palatinate. Ms Renate Schmidt, vice-president of the Bundestag, the lower house of the German parliament and head of the SPD in Bavaria, also announced she would run for the chancellor's office.

Opinion polls show popular support for the SPD is neck and neck with the ruling Christian Democratic Union (CDU) and its Bavarian sister party, the Christian Social Union (CSU).

While Mr Engholm's resignation has damaged the Social Democrats' standing in public opinion, a series of scandals within the CDU/CSU has dealt equally severe blows to the popularity of the ruling party.

## NORDIC BANKING INVESTMENT &amp; FINANCE

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Data source: "Chief Executives in Europe" 1990

FT SURVEYS

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The price for tender documentation for the first round is HUF 50,000 (fifty thousand forints), including sales tax. Tenders must be submitted in person or by post and received before 2.00 p.m. on August 31, 1993. Hungarian law requires that we notify bidders that the Metropolitan Property Management Centre Co. has foreign trade rights.

## ABN-AMRO Holding N.V.

established in Amsterdam

At the annual general meeting of shareholders held on 7 May 1993, a dividend of NLG 2.90 per ordinary share of NLG 5 nominal value was declared for 1992. Part of this dividend has already been made payable in the form of an interim dividend of NLG 1.40, which might be taken at the shareholder's option either entirely in cash or as a cash payment of NLG 0.50 together with ordinary shares chargeable to the share premium reserve of, if desired, to the general reserve, in the ratio of one new ordinary share for every fifty ordinary shares held.

The final dividend of NLG 1.50 per ordinary share of NLG 5 nominal value may be taken at the shareholder's option either entirely in cash or as a cash payment of NLG 0.50 together with ordinary shares chargeable to the share premium reserve, in the ratio of one ordinary share for every fifty ordinary shares held.

The new ordinary shares rank fully for dividend for 1993 and ensuing financial years.

Payment in the form of ordinary shares chargeable to the share premium reserve is exempt from Dutch withholding tax and income tax.

Furthermore, the Managing Board has announced that the preference dividend of NLG 0.475 per preference share of NLG 5 nominal value, for the financial year 1992, will be made payable after deduction of 25% withholding tax.

As of 24 May 1993, the final dividend on ordinary shares will be payable at the following addresses:

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in the United Kingdom: National Westminster Bank Plc, (Crawley),

In connection with the above, NLG 0.50 and NLG 1.00, less 25% withholding tax, will become payable in exchange for dividend coupon nos. 11 and 12, respectively.

Shareholders opting for payment in the form of ordinary shares chargeable to the share premium reserve will receive one new ordinary share of NLG 5 nominal value in exchange for every fifty dividend coupons no. 12. The closing date is 9 July 1993. After this date holders of dividend coupons no. 12 can obtain payment in cash only. The new ordinary shares in respect of unexercised stock dividends will be sold.

Holders of CF-certificates will receive the cash dividend, less 25% withholding tax, and their rights to ordinary shares through the institutions where the dividend sheets belonging to their certificates were deposited at the close on business on 7 May 1993.

In respect of the exchange of dividend coupons no. 12, which must be provided with a company stamp on surrender, corporate members of the Amsterdam Stock Exchange Association will receive a commission in accordance with circular letter 90-56 of the Amsterdam Stock Exchange Association so that said exchange can be made free of charge to the holders.

Persons presenting dividend coupons no. 12 for exchange and requesting delivery of securities at offices other than those stated above, may be charged commission.

Holders of registered shares and registered preference shares, whose names have been entered in the ordinary share register and preference share register, respectively, will be notified individually by the company of the amount of dividend payable to them.

As preference share depositary receipt are in issue in the form of CF certificates only, holders thereof will receive their preference dividend - less 25% withholding tax - as from 24 May 1993 through the institution where the dividend sheets belonging to their certificates were deposited at the close of business on 7 May 1993.

Amsterdam, 10 May 1993

ABN-AMRO Holding N.V.

Stichting Administratiekantoor  
ABN-AMRO Holding N.V.

ABN-AMRO

# Japan's government urged to pull out from Cambodia

By Charles Leadbeater in Tokyo

THE JAPANESE government was last night attempting to head off pressure to withdraw police officers from peacekeeping duties in Cambodia after the killing of an officer in an ambush last week.

Mr Kijiro Murata, home affairs minister, will today call for the unarmed Japanese police officers to be given greater protection or be withdrawn from Phnom Penh.

Mr Murata arrived in Phnom

Penh yesterday for talks with the United Nations Transitional Authority for Cambodia over the safety of Japanese personnel.

Untac has so far refused to accede to Japanese government demands to withdraw the police to safer areas, on the grounds that this would be preferential treatment.

If Mr Murata is unable to return with a pledge that the police will be given greater protection, it is likely pressure for their recall will grow.

The issue is highly sensitive

for the Japanese government because the despatch of peacekeepers to Cambodia was presented as a symbol of Japan's commitment to play a wider role in UN affairs.

Japan sent 600 military personnel and 75 police officers in October to help oversee the run-up to elections due to be held from May 23 to 28.

In a frank meeting with Japanese police officers yesterday Mr Murata was asked by Mr Hiroto Yamazaki, the head of the police contingent in Cambodia: "How many of us will

have to die before you decide to pull the Japanese police out of Cambodia?"

Mr Kabun Muto, the foreign minister, who was visiting the family of Mr Haruyuki Takata, the slain policeman, said he was reluctant to consider a full-scale withdrawal of the police.

However, Mr Yoshio Kono, the cabinet secretary, acknowledged that the government was under pressure to clarify its position over the conditions in which it would withdraw the personnel.

# Tokyo police hold foreign workers

By Charles Leadbeater

TOKYO police and immigration officials yesterday mounted an unprecedented raid on foreign workers as they gathered in a park in the Japanese capital. They were allegedly breaking immigration laws.

The authorities took 102 foreigners into custody in the highest profile action yet to stop mainly Iranian workers from gathering in Yoyogi Park on the outskirts of central Tokyo.

Every Sunday over the past two years the park has been a meeting place for several thousand mainly Iranian men. The

entrance to the park where the men gather takes on the air of a middle eastern bazaar with stalls selling Iranian food, music cassettes and haircuts, as well as forged telephone cards. The authorities also allege there is extensive drug dealing.

Immigration officials and police officers used several vans to take away 98 Iranians, 11 Malaysians as well as Nepalese and Pakistani workers.

On April 28 the authorities signalled their intention to crack down on the gatherings when the Tokyo metropolitan government started planting about 3,000 azalea bushes in areas of the park where the

men gather. They then cordoned off the area with high fences, ostensibly to protect the plants.

Immigration officials said all the men taken away had overstayed their visas in Japan and were working illegally in factories and on construction sites. They said the men would be repatriated soon.

The illegal foreign workers are in part victims of the sharp economic downturn. They were mainly attracted to Japan during the high growth of the late 1980s when it became commonplace for young Japanese to refuse to do dirty, dangerous or difficult manual jobs.

# China likely to cool economy

Tony Walker on the fears of a repeat of the boom and bust cycle

THE SENIOR Chinese official chose his words carefully, avoiding expressions such as credit curbs and import restrictions, but his meaning was clear: China is, belatedly perhaps, seeking to cool its overheated economy.

"Although the credit situation in China is tolerable we shall try to exercise greater control so as to avoid a repetition of the sort of the situation that occurred in the late 1980s," Mr Wang Zhongyu, director of the newly established State Economic and Trade Commission, told reporters.

This was the most explicit public signal in recent months that the authorities are intent on calming the economy, although fear of a return to the "boom and bust" cycle of the 1980s is encouraging caution.

Mr Wang complained of excessive duplication in some manufacturing industries. China's economic boom was also placing an intolerable strain on the country's infrastructure.

He also made it clear much stricter controls would be placed on fixed asset investment to curb its astonishing growth of 70 per cent in the first quarter of this year compared with the corresponding period last year.

"No country can give carte blanche to investment. Every country needs a quota for its fixed asset investment... so we shall try to exercise more effective control," he said.

Western economists, who have long been arguing that China's spectacular growth rates - 14 per cent for the first quarter on top of 13 per cent last year - are unsustainable, believe that the main issue for the country's economic managers is whether, in their efforts to "fine tune" the economy, they can avoid a "hard landing".

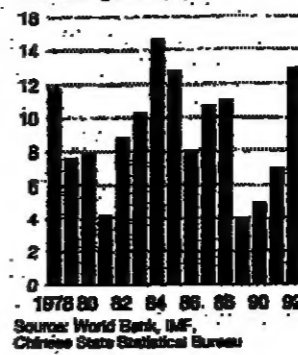
China's increasingly complex economy, in transition from rigid state control to a market-oriented system, will not prove easy to calm without resort to the tough administrative measures employed in the past. Yet these are the very devices the authorities wish to avoid in this latest phase.

In the 1988 boom economic growth reached 12 per cent and urban inflation exceeded 30 per cent, prompting a panicky administration to institute savage credit curbs.

Mr Wang made it plain that a more rigorous approach would be applied to granting credit, and priorities would be re-ordered. Preference would be given to what he described as "basic industries" such as

China

Real GNP growth (%)



Source: World Bank, IMF, Chinese State Statistical Bureau

transport and energy in an effort to redress one of China's most critical problems.

Mr Wang, regarded as a reformist and thus close to Mr Zhu Rongji, senior vice-premier and China's "economic czar", said the economy was "quite healthy" but expressed concern about urban inflation, which reached 15.7 per cent in the first quarter. He attributed the rise in retail prices both to the lifting of controls on prices of some commodities such as grain, and also to excessive demand due in part to the explosion in fixed asset investment. Steel prices, for example, have gone through the roof.

State-owned enterprises are among the main culprits of the

fixed asset binge, and the most wasteful. The state sector recorded losses equivalent to \$76bn (£48bn) in 1992.

The Chinese official gave no indication that more strenuous efforts might be made to restrain growth in the money supply which, according to the broader M2 measure, charged ahead by 30.6 per cent last year and continued in similar vein in the first quarter, but he did hint at possible interest rate increases to cool activity.

Mr Wang gave no indication what steps, if any, might be envisaged to stabilise China's exchange rate. The local currency is continuing to depreciate.

The import surge, accompanied by a deterioration in China's trade balance, spells further trouble for the yuan, which is now in sight of 10 to the US dollar on the "grey market" compared with an official rate of 5.7 and a "swap market" rate of about 8.5.

China's official growth targets for this year, spelt out at the recent National People's Congress, or parliament, are between 8 and 9 per cent. However, with growth exceeding 14 per cent, a figure of 10 per cent seems more likely, unless the authorities lose their nerve and decide a harder landing is necessary.

# Indian scandal blamed on lax bank management

By Stefan Wagstyl in New Delhi

THE RESERVE Bank of India, the country's central bank, in a final report on last year's Rs40.2bn (£806m) securities market scandal blames lax bank management for the affair.

Inadequate internal audits and inspections allowed irregular links to develop between banks and stockbrokers in the securities market, says the report, which was published in two parts at the weekend. Those responsible for controlling business operations chose not to probe too deeply, says the central bank.

The report says that while the Reserve Bank checked banks for asset quality and bad debt provisions, it perhaps paid too little attention to the activities of bank treasuries, the units primarily responsible for securities market investments.

The scandal, which erupted in April last year, prompted the resignation of a cabinet minister, the arrest of about 20 people, and big losses for some banks, including Standard Chartered of the UK.

The latest Reserve Bank report mostly concerns facts already made public in four previous reports and in evidence given to a parliamentary committee which has separately been probing the affair. However, the report adds several new names to the list of banks accused of carrying out irregular transactions, including Hongkong and Shanghai Banking Corporation. The report alleges that Hongkong Bank in its portfolio management services - investment accounts which were used to invest funds in securities on behalf of clients - infringed the rules under which such accounts were to be operated.

The report makes recommendations on future regulation, saying tighter supervision is needed in the interbank securities market, especially of forward transactions and of the use of bankers' receipts, which are instruments issued by banks representing securities which they hold. It also recommends stricter supervision of brokers permitted to enter the interbank market and higher standards of book-keeping, audit and inspection.

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## Notice to Holders of Republic of Colombia U.S. \$250,000.00 9% Bonds due 1994

Amendment No. 1 To Terms and Conditions of Law 55 Instruments

1. Reference is made to the Law 55 Instruments, due 1994 issued by the Republic of Colombia, series numbers 1 to 39,000.

2. The Terms and Conditions of the above-referenced Law 55 Instruments are hereby amended by inserting the following after the second paragraph of Section 2 e) thereof:

"On request by Law 55 Instrument holders, payment with respect to Coupons may be made in Dollars in Colombia through the Fiscal Agent pursuant to the procedures set forth in this paragraph. To exercise this option with respect to and to receive payments on a Payment Date, the holders shall present and surrender to the Fiscal Agent the applicable Coupons at least ten (10) calendar days prior to the Payment Date from the Fiscal Agent in Colombia and fail to present Coupons on a timely basis for payment on the applicable scheduled Payment Date, the Fiscal Agent will accept such Coupons for payment in Dollars in Colombia in accordance with the following sentence: Payments of such Coupons will be made by the Fiscal Agent on the sixteenth day of each month (or if such day is not a Banking Day (as defined with respect to Peso payments), on the next day that is a Banking Day) with respect to the Coupons presented to the Fiscal Agent on or prior to the sixth day of the same month. The Fiscal Agent shall make all payments required under this paragraph either by Dollar checks or to accounts maintained by such holders with the Fiscal Agent, as specified by the holders at the time of presentation of such Coupons.

IN WITNESS WHEREOF, the parties hereto have agreed to enter into this Amendment No. 1 to be duly executed by their respective duly authorized representatives as of 4th May, 1993.

Issuer

Republic of Colombia  
By: Rudolf Morales Rodriguez  
Title: Minister of Finance and Public Credit

Fiscal Agent

Banco de la Republica  
By: Miguel Urbina Montoya  
Title: General Manager

Bankers Trust  
Company, London  
10th May, 1993

Agent Bank

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Société d'Investissement  
à Capital Variable  
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L - 1235 Luxembourg  
R.C. B 43139

EXTENSION OF INITIAL  
SUBSCRIPTION PERIOD

Notice is hereby given that, according to the provisions of the Prospectus and Articles of Incorporation, the Board of Directors has decided to extend the initial offering period, for the Company from 10 May 1993 to 10 June 1993. Decision has been taken as regards the growing interest and the continuous flow of demands for subscriptions received at the registered office.

THE BOARD OF DIRECTORS

## Appointments Advertising

appears every  
Wednesday &  
Thursday  
Friday  
(International edition  
only)



# Late payment 'notably worse' in Britain

By Vanessa Houlder, Property Correspondent

UK BUSINESSES face greater delays in the payment of bills than their European counterparts, according to a new study.

The UK's record for paying bills between 15 and 60 days late is "notably worse" than in France, Italy, Belgium or the Netherlands, according to research by Manchester Business School for National Westminster Bank.

The study blamed the late payment on companies putting short term financial advantage before their contractual obligations. "It is a demonstration that the business culture ranks monetary gain above ethical behaviour," it said. The research underlined problems for small businesses from late payment of bills, which have intensified during the recession and led to government initiatives to attempt to shorten payment times.

The study cast doubt on the assumption that the problem of late payment is inflicted by large companies on small suppliers. Although the finances of small companies suffer disproportionately from late pay-

ment, they are no better than large companies in paying bills on time.

"Large companies may well be late payers, but small and medium-sized enterprises are at least as bad and probably worse," the report says.

It points out that small companies are unlikely to be able to pay suppliers more promptly than large companies because they have higher finance costs and a greater proportion of trade creditors.

The study supported a proposal, backed by the Forum of Private Business, a small business lobby group, for legislation to give companies a statutory right to interest on unpaid bills. However, it acknowledged that there was "no significant evidence" that a statutory right to interest improved late payment.

The study called for a reduction in credit periods, which it said would improve the cash-flow of many UK companies. It said small manufacturers and wholesalers would gain from shorter credit periods, although the agriculture and retailing sectors would not benefit as they would need to finance increased working capital.

## Final talks expected to begin today on Pharmaceutical Price Regulation Scheme

# Rate of return on drug sales to be set soon

By Paul Abraham

FINAL negotiations are expected to begin today between the department of health and the Association of the British Pharmaceutical Industry aimed at concluding the scheme that sets the rate of return for drugs companies operating in the UK.

Talks about the scheme, known as the Pharmaceutical Price Regulation Scheme, started eight months ago.

"There is quite a lot of good will," said one drugs group executive. "We hope to conclude the negotiations over the

next few weeks, although there is still quite a gap between what we want and the department's proposals."

The industry is anxious to finish the PPRS negotiations. The government needs to save money on its drugs bill during this financial year and if the PPRS is not settled early ministers could be tempted to introduce a freeze on drugs prices or even price cuts similar to those recently introduced in Germany.

The National Health Service drugs bill last year was £3.45bn and is estimated to be increasing at between 12 per cent and

14 per cent a year, according to the ABPI.

Meanwhile, the NHS advisory committee on drugs, set up to decide which drugs within 10 therapeutic areas the NHS will no longer pay for, met on Thursday.

The committee is expected to publish its final conclusions shortly on topical anti-rheumatics, anti-diarrhoeal medicines, appetite suppressants and drugs for vaginal and vulval conditions.

The ABPI wants any recommendations to be the subject of full parliamentary debate.

The committee is also

expected to inform companies soon of its preliminary recommendations on three other groups - hypnotics and anxiolytics, drugs used in anaemia and topical cortico-steroids.

The association is anxious the rate of return on capital employed set by the PPRS should not be reduced. It claims the rate, set at between 17 per cent and 21 per cent, is reasonable and that the actual return is less than 10 per cent.

The ABPI is also anxious to correct an element within the PPRS which appears to provide

a disincentive for exporting. Under the present complex rules any increase in exports effectively reduces permitted UK profits.

American members of the ABPI are also known to be worried about measures to control promotional expenditure, which is limited to about 9 per cent of sales to the National Health Service.

British general practitioners take up new drugs far more slowly than their French or Italian counterparts and the US groups believe this is partly because educational activities are curtailed.

## EASTERN TROUGH AREA PROJECT

# BP to announce N Sea plan

By Deborah Hargreaves

BRITISH Petroleum is expected to announce plans today to go ahead with a development plan for eight or nine oil and gas fields in the central North Sea area.

The group is thought to be pushing ahead with the project sooner than originally planned because of changes to the oil tax regime proposed in the budget.

The development is called the Eastern Trough Area Project and involves eight companies including Shell and Esso.

It is expected to cost between \$500m to \$1bn to bring the fields into production by 1998. The fields are believed to contain between 600m and 1bn barrels of oil and more than 1,000bn cubic feet of gas.

Mr Chris Fay, managing director of exploration at Shell, said last week that the project could involve the construction of three or four fixed oil platforms which would be used to produce oil and gas from the four main fields.

The four or five smaller,

adjacent fields could be hooked up as satellite developments. Shell said the budget changes proposed for Petroleum Revenue Taxes will make developments of this type more economic as they will not be liable to pay PRT.

The proposed changes to PRT involve lowering the rate from 75 per cent to 50 per cent and abolishing it altogether for new fields.

However, the abolition of tax relief for exploration and appraisal work has angered many of the smaller, independent North Sea explorers.

## Polly Peck creditors await report from administrators

By Andrew Jack and Robert Rice

CREDITORS of Polly Peck will be waiting anxiously for the latest report from the group's administrators at the end of this month after Mr Asif Nadir's escape from bail to Cyprus last week.

Claims by Mr Nadir that he will attempt to regain control of companies in the group are likely to de-stabilise attempts by accountants to recover assets on creditors' behalf.

Mr Michael Jordan, one of the group's joint administrators at accountants Coopers & Lybrand, said last week that he had been on the verge of an agreement with the authorities in northern Cyprus to arrange sales of Polly Peck assets.

He flew back to Istanbul at the end of the week in an attempt to safeguard these arrangements. Another accountant close to the discussions said: "Negotiations were at a delicate stage. Now the dust has to be allowed to settle."

Coopers said a Turkish buyer was on the point of agreeing to pay \$20m for Meyra, the Turkish fruit business, and a Cypriot was "shortly" to pay about \$10m for ICP, a pharmaceutical com-

pany. Administrators are meeting early this week to discuss a more detailed strategy on how to pursue their claims in the light of Mr Nadir's escape. They are due to report to creditors again at the end of this month and so far they are sticking to their projections made in October.

These suggested dividends in the range of nothing to 4p or 4p to 10p. Which range applied would depend on the unresolved assessment of how a \$400m loan from PFI to Holdings, BV for Del Monte was routed.

Mr Jordan said no dividend was likely this year, although he might recommend to creditors that Polly Peck moves from administration into a voluntary arrangement or liquidation and insolvency procedures before then.

The \$400m loan represents the difference between the group's estimated liabilities in October 1990 of either \$1.4bn or \$1.8bn. Of the total, \$283m is owed to banks and other creditors and \$27m to bondholders. By October last year professional and legal fees and costs stood at £15.6m. There had been total payments of \$68m and receipts of \$68m, including realisations of non-core businesses and assets of \$27m.

Del Monte was sold in November last year for \$499m, of which net proceeds left for distribution by the administrators are \$218m.

The most significant remaining assets include an 88 per cent stake in Vestel, which is quoted on the Istanbul stock exchange and an 18 per cent stake in Sanrut, the Tokyo-based electronics group.

Other outstanding assets in northern Cyprus include Unipac, Sunzest and Voyager Kibris, which manages four hotels. Coopers said the total value was about \$40m, but it could not give an exact sum since it had been denied access to the accounts of the companies on the island.

The remaining prospects for creditors will come from any recoveries from writs issued by Mr Christopher Morris at Touche Ross, another joint administrator. These include \$278m against Mr Nadir, \$70m against Citibank and possible future action against Stoy Hayward, Polly Peck's auditors.

Touche said legal proceedings had already achieved a settlement for an undisclosed amount against Imperbank, and it was pursuing judgments against Mr Nadir's mother, the Industrial Bank of Kibris and Unipac.

## Training councils and government split over priorities

By Lisa Wood, Labour Staff

SHARP differences in priorities for training the jobless have emerged between the government and the private sector-led bodies it pays £1.8bn a year to carry out the programmes, according to a survey by the Financial Times.

The survey is the second to canvass the opinions of the 1,220 board members of the 82 Training and Enterprise Councils (Tecs) in England and Wales, responsible for delivering the government's main training programmes.

Most of the Tec directors who responded rated the training of the jobless as their lowest priority, despite getting the bulk of their public funds for that purpose. Top priority, according to a majority of directors, was local economic regeneration, including the creation of jobs. "Jobs should be real and not cosmetic," said one director.

The survey highlights the frustration of many Tec directors who want the Treasury to allow them more flexibility and discretion in their approach to assessing local economic and

labour market needs as the recession ends.

A number of other tensions exist in what the government describes as a strategic partnership with Tecs. Fifty-nine per cent of directors in the survey were not satisfied with the relationship between Tecs and the government.

The findings are topical. While the government sees Tecs as here to stay there are growing tensions over how the partnerships should evolve.

Tecs want more co-ordination between government departments so that a more focused approach could be taken in areas such as education and training. Half the 506 directors who responded to the survey - more than 40 per cent of all the Tec directors in England and Wales - advocated the establishment of a new department of education and training.

One of the most controversial ideas being considered by the government is the introduction of "workfare". Selected groups would have to take community jobs or training in return for benefits. Forty-six per cent of directors in the survey supported such a move.



TAKING ON THE WORLD: A worker at Silver Knight Exhibitions, the Coventry-based display company, puts the final touches to a model designed for the British pavilion at Expo '93 in Taejeon, Korea. The first exhibits have been dispatched to the trade fair, which opens on August 7. Exhibits will include a Williams car driven by Nigel Mansell in last year's world motor-racing championship and the Olympic-winning Lotus bike.

## MPs likely to attack CD prices

By Financial Times Reporters

THE BRITISH music industry is expected to be criticised this week by a parliamentary committee report questioning the prices charged for CDs.

The report could be followed swiftly by an investigation by the Monopolies and Mergers Commission.

Sir Bryan Carsberg, director-general of the Office of Fair Trading, hinted at the end of April that a referral may be made, and that he would announce his decision in two to three weeks.

Judging by the attitude of MPs at ill-tempered public hearings of the national heritage committee last month - when members from all parties accused industry representatives of over-charging for compact discs - their report to be published on Wednesday is likely to be highly critical.

Sir Bryan said at committee hearings that he still had an open mind about whether the UK music industry operated a complex monopoly on CDs. He added, however: "There is enough information there to make me concerned about the situation."

He said the lower price of CDs in the US had persuaded him the issue needed to be examined again, even though his predecessor, Sir Gordon Borrie, found no reason to call for an MMC investigation as recently as April last year.

Sir Gordon said then he could see little reason why CD prices were so high but that consumers appeared willing to pay the prices charged. He concluded there was no monopoly in the business and no evidence of collusion between CD producers or retailers.

Sir Bryan said at the recent committee hearings that matters which needed to be explored included restrictions on CD imports to the UK from the US and whether contracts between artists and music companies created a "limited monopoly situation".

In a letter to the Financial Times today Mr John Deacon, director-general of the British Phonographic Industry, denies that CD prices are 40 per cent higher in the UK than in the US. Taking exchange rates into account, the difference is 10 per cent to 15 per cent, he says.

Letters, Page 12

## CONTRACTS & TENDERS



### EGYPTIAN GENERAL PETROLEUM CORPORATION IS CALLING OFFER FOR SALE FLAKES CAUSTIC SODA ACCORDING THE FOLLOWING CONDITIONS:

- 1 - QUANTITY: 1500/2000 MT PER MONTH
- 2 - DELIVERY: FOB ALEX. PORT: STARTING FROM JUNE 1993.
- 3 - QUALITY: AS THE FOLLOWING SPECS.

TEST	LIMITS
- SODIUM HYDROXIDE STRENGTH	% WT (MIN) 98.0
- SODIUM CARBONATE AS NA 2CO3	% WT (MAX) 0.2
- CHLORIDE AS CL	% WT (MAX) 0.012
- SULPHATE AS SO4	% WT (MAX) 0.015
- SILICA AS SiO2	% WT (MAX) 0.012
- IRON AS FE	% WT (MAX) 0.002
- THICKNESS	MM 0.2-1.0

- 4 - PACKING: FLAKES CAUSTIC SODA IS PACKED IN 25KG PACKAGES OF FOUR LAYER OF KRAFT PAPER WITH INNER P.E. LAYER AND A VAPOUR BARRIER LAYER OF P.E. LAMINATED TO THE OUTERMOST KRAFT LAYER TO OUTSIDE. EACH FORTY PACKAGES ARE STOWED ON A WOODEN PALLET 140 X 110 X 15 CM. THE WHOLE PACKAGES ARE WRAPPED WITH P.E. SHEET WITH FINAL DIMENSIONS FOR LOADED PALLET 140X110 X 125CM.

- 5 - PAYMENT: AT SIGHT IN USD THROUGH IRREVOCABLE AND CONFIRMED L/C. AGAINST USUAL SHIPPING DOCS.
- 6 - VALIDITY: OFFERS SHOULD REACH E.G.P.C. MAX 18/5/1993 AND TO BE VALID TILL 24/5/1993.
- 7 - CORRESPONDENCE:

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TLX : 92049 PETMISR UN  
FAX NO. : 002023531487/002023531463  
ATT: VICE CHAIRMAN FOR FOREIGN TRADE.

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**NOTICE OF MEETING**

The shareholders are hereby informed that a General Meeting will be held at Paris (75008) at Revillon Gobelin, 5, avenue Gobelin, on 1st June 1993, at 11 a.m. (local time) to consider the following agenda:

- General Meeting**  
Report of the Directors, Supervisory Board's comments, Auditors' reports.
- Ordinary Meeting**  
Approval of the 1992 financial statements. Appropriation of net income-Dividend.  
Agreements governed by Article 143 of the French Companies Act  
Supervisory Board: appointment of new members  
Authorisation to be given to the Company to trade in its own shares on the stock market, in order to stabilise the price.
- Extraordinary Meeting**  
Authorisation to be given to the Directors, subject to the prior approval of the Supervisory Board, to:  
a) increase the share capital through the capitalisation of reserves, profits or share premiums  
b) issue, with or without exercise of existing shareholders' pre-emptive subscription rights:  
- cash shares, with or without warrants  
- convertible bonds, with or without warrants  
- bonds with warrants  
- warrants  
- bonds redeemable for shares, with or without warrants  
- compound securities.

Authorisation to be given to the Directors to grant stock options to the members of staff and management of Group companies.

**Powers**

To be entitled, to attend, to be represented or to vote by post at this Meeting:

- holders of registered shares must be recorded in the Company's share register at least five days before the date of the Meeting.
- holders of bearer shares must deposit at DEMACHY WORMS & Cie (SS, rue La Boétie - 75008 PARIS France) at least 5 days before the date of the Meeting a certificate evidencing that the shares have been deposited with authorised intermediaries until the date of the Meeting.

Forms of proxy/vote should be lodged with the Company at least five days before the date of the Meeting.

Another person may only represent a shareholder at the Meeting if he is himself entitled to attend the Meeting, or is the spouse or legal representative of the shareholder.

Le Directeur

## MANAGEMENT

More companies are putting corporate values into words, writes Lucy Kellaway

## Men with a mission

On every desk at Dun & Bradstreet is inscribed a corporate prayer: "As the men and women who are The Dun & Bradstreet Corporation, we are a team - One Company united through shared values" it begins, inciting the 56,000 employees to "strive relentlessly" and to "work to be the best".

In the 2,000 beel bars of the Minit Corporation around the world is a framed statement declaring that the company's mind is "positive, optimistic and determined". In the pockets of every Motorola worker is a laminated card bearing that company's mantra.

Corporate values have come out of the closet. In the last few years most big US organisations have felt the need to make a public statement about what they believe in, what they are about and where they are going.

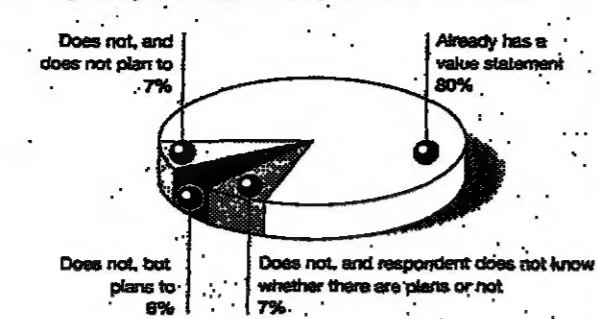
The trend has now crossed the Atlantic. According to a report by Digital Corporation, some 80 per cent of British companies have put their values into words.

There is no standard form to these pronouncements. Some are just a line or two, others run to a small volume. Some take the shape of "mission" or "vision" statements, setting strategic goals for the business as a whole, while others lay down standards of behaviour of the people inside the organisation. But all are trying to capture the essence of the company: to find something that will tie a diverse group of people and interests to a single goal or set of values.

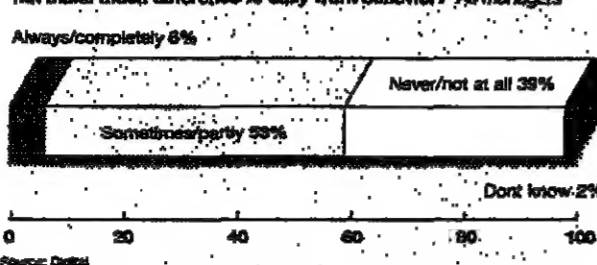
It is no surprise that these statements have recently caught on. As the old hierar-

## Mission statements UK companies

Does your organisation plan to prepare such a statement?



Are your organisation's corporate values really slogans which do not make much difference to daily work behavior? All managers



chies within companies have toppled, employees have had to take more decisions for themselves. "If you flatten an organisation, people have nothing else to turn to when they make judgments," says John Humble, the management consultant who prepared the report for Digital. At the same time shareholders have increasingly demanded clear statements from companies justifying their existence.

The most common form of mission statement involves a description - usually spelt out in the annual report - of the company's aims. This can

range from the banal to the baroque, and may include a statement of its values.

At one extreme is "Ikea's Business Idea", which simply states as its guiding principle: "We shall offer a wide range of home furnishing items of good design and function, at prices so low, that the majority of people can afford to buy them." At the other extreme is the Body Shop which proclaims in giant type on the back of its annual report: "Make compassion, care, harmony and trust the foundation stones of business. Fall in love with new ideas."

Other companies state goals that reach beyond their actual business: J Sainsbury rather grandly talks not just of selling groceries but of "contributing to the public good and to the quality of life in the community".

When it comes to listing their values, the same ones appear again and again: most companies cite the need to care for people, customers, quality, competitiveness, innovation, the community and the environment. Yet not all statements are so fashion conscious, nor so bland. The Yorkshire conglomerate BBA unashamedly announces: "The Victorian work ethic is not an antique, and 'grit and gumption' are preferable to inertia and intellect."

But how worthwhile are these statements? Some seem so obvious as to be barely worth saying, while others are hard to say while keeping a straight face. Academic evidence from the US suggests that companies with a strong mission tend to have outperformed their competitors, but then those companies seem to be better managed generally. The mere existence of a statement of corporate values or of a mission appears to have little, if any, effect on a company's performance. The Digital survey shows that more than 80 per cent of value statements are not strictly adhered to by managers, let alone by the rest of the workforce.

This is an alarming finding, as a statement which is not being followed properly can be a liability. "If you hang on about a mission that is not believed, you are devaluing management," says Mike Jeans of consultants KPMG.

So how can companies make their statements work better? Philip Mellor from Dun & Bradstreet says the company's value statement is part of a broad programme of cultural change. To make the values stick, everyone is trained for five days every year and employees are rewarded on how well they live up to the values.

The Minit Corporation claims that its statement has been a success partly because it consulted 300 managers in 27 countries before the final draft was drawn up.

However, not everyone agrees that companies should have value statements at all. According to Andrew Campbell of Ashridge Strategic Management Centre, statements are really only helpful in companies that already live by them. They are an *aide memoire*, but not of much use in motivating people or in helping them change their behaviour.

A case in point is Marks and Spencer, which has grown a strong sense of corporate value without any formal statement. "We do not hand out principles like the 10 Commandments and say thou shalt abide by them," says a company spokesman.

Campbell argues that companies should initially limit themselves to the fastest statements of what they do, and perhaps what it wants to be. "But the 'I believe' stuff is very dangerous. If you write it, you'd better believe it," he warns.

No doubt BBA really does believe its philosophy of hard grind; whether all those companies that declare a belief in their people or in the environment live up to their words is another matter.

## Ford's engineers become lateral thinkers

Julian McNamara looks at the company's new programme to spark creativity

Ford Europe is undertaking what could be the biggest profit-motivated retraining and re-motivating exercise in the field of production and engineering. The object, according to Tom Smith, co-ordinator of occupational psychology at Ford Training and Education, is to make better motor cars available more quickly.

"As a company we could see areas where the decision-making process stifled creativity. The aim of the Education Training Quality Improvement Plan (Equip) is to remove obstacles at all levels, and hopefully everything we achieve will show through quickly on the cars themselves."

A few years ago that type of statement would have verged upon heresy in Henry Ford's empire. But as western manufacturers have watched the Japanese and latterly the Koreans, slash new model development times from five years to two, corporate structures have come in for over-due questioning.

Part of the aim is to raise the level of ingenuity and efficiency of the engineering staff and to change the perception of the engineer within the organisation.

"Our engineers are first class but if a creative man feels that he is being badly managed or badly rewarded, he can soon feel penalised because of his skills. So the wider programme extends to all areas of management," says Smith.

Originally conceived by Ford UK, the programme has now been adopted by Ford Europe which plans to extend it to some 4,000 engineers.

Allowing for the projected individual timespan of the programme - some 15 months - its scale is enormous.

But just how do you identify the creative engineer? The question is far more complex than it appears; for instance, normal personnel tests tend to be self-defeating. Faced with a questionnaire asking whether you have: very few creative ideas; more than a few; many ideas; would anyone other than a fool opt for the first?

According to Smith's colleague Fiona Patterson, the answer lies in questioning established engineering values. "There is a tendency to over-engineer solutions to what can be simple problems. This, as with the set hierarchical structure, is not unique to Ford and probably begins at university. The creative engineer will have some ability to think laterally."

One test devised by the team for use at recruitment level is to take a ball-bearing travelling down a ramp into and through a funnel (normal time about five seconds) and ask candidates to extend its journey to 30 seconds.

The majority of engineering graduates seek to slow the ball on the ramp with cardboard or masking tape. Few bother to ask if they can move the funnel and even fewer grasp the principle that tilting the funnel will cause the ball-bearing to spin inside the lip and gain the extra time. A small test, but a good pointer towards the kind of lateral thinking sought by Ford.

As well as identifying and motivating the creative element, Equip is seeking to break down other long-term

barriers towards engineering excellence.

In common with most retraining programmes the course offers sections on problem-solving and construction of theoretical skills. But where it differs from other such programmes is in seeking to develop a range of behavioural skills.

As sequential development and manufacturing is replaced by faster simultaneous methods, so teamwork is of increasing importance. This is where the sports psychologists come in. The same disciplines which allow teamwork on the football pitch can be harnessed in the design and development processes.

The prize, if Ford succeeds, is engineers freed from their present constraints and able to match the Japanese in the all-important "surprise and delight" field.

At its most simplistic level, this philosophy states that if the product performs satisfactorily on all other levels - for instance, in a car that would mean utility, economy, reliability and value-for-money - the deciding factors in whether a customer buys one product over another is how many "surprise and delight" features are available.

To succeed, the company must understand what the public will want, before they really demand it and it is up to the engineers to provide it. It is a field in which the Japanese excel. With that in mind, as the first 300 Ford engineers went into the Equip programme in March, the question of whether psychologists can speed up the production process took on a great deal of importance.

## Wooing the customer

Hugh Aldersey-Williams on the Citizen's Charter

Public services and companies that responded to the launch of the British government's Citizen's Charter initiative last year have reported mixed results from their efforts.

This partly reflects the fact that elements of the Citizen's Charter are still coming into effect. Earlier this year for example, British Rail's Network SouthEast gave its first discounts to last year's delayed season ticket-holders. In addition, from the beginning of the year contractors have been obliged to explain why a road is being dug up and how long the work will take. From April, hospitals began to offer appointment and waiting-list guarantees.

Private-service providers have jumped aboard the bandwagon, but they have been as prone to miscalculate the tone and content of their charters as the public sector.

Norman Lamont, chancellor of the exchequer, set the ball rolling by asking the big four clearing banks to introduce charters for their business customers. Their response came in the form of modest promises. However, the banks' image was so tarnished by the time their charters came out that they were dismissed by many

customers. They promised too much and were not believed.

Just as bad is to promise too little. This is where many public-sector organisations fall short. They hedge their promises. British Rail asks for its customers' views, but only on comparatively trivial matters such as station cleanliness and staff behaviour. Its intercity standards employ such sophistry that the public has no benchmark by which they can measure performance.

Perceptive companies, however, see there is a competitive advantage to be gained from customer charters. "The big banks had charters forced upon them and this has coloured people's views," says Ian Farnfield, a partner at Dragon International, a marketing consultancy that has advised companies on preparing charters. "But they should be viewed as a positive opportunity."

With any charter it is crucial to avoid promising what people do not really want. Payment of an average of £1.50 - the cost of one journey - from London Underground is poor compensation for a business meeting missed. So is £10 from British Gas for a broken appointment. BAA (formerly British Airports Authority) tried giving monetary vouchers to compen-

sate for long queues, but soon stopped when research showed the policy to be counter-productive. "People didn't really want to know if we had queue time limits because they thought we might not be checking security efficiently," explains Jenny Bradley, director of public affairs at Heathrow Airport.

On the other hand, a commitment to provide for free something that occasionally comes at a price can make a good impression - such as Shell's pledge promising free air and water at its petrol stations.

Farnfield advises businesses not to issue charters if they do not have the support of both top management and the "shop-floor" staff who are in contact with the public.

Many companies have always had internal codes of practice, but saw no mileage in making them public. But more industries may soon hop aboard the customer charter bandwagon.

Dragon International believes businesses with the potential to benefit include those where the customer is obliged to trust a more expert supplier, such as pharmaceuticals, the building industry and personal financial services.

## COMPANY NOTICES



## LANCASHIRE &amp; YORKSHIRE ASSURANCE SOCIETY

**NOTICE OF ANNUAL GENERAL MEETING**  
Notice is hereby given that the fourteenth Annual General Meeting of the Lancashire & Yorkshire Assurance Society will be held on Thursday 27th May 1993 at 3.00pm at the Rotherham Moat House, Rotherham.

## AGENDA

- To receive the Chairman's Report and the Accounts for the year ended 31st December 1992.
- To re-elect Mr B J White BA ACA as a Member of the Committee of Management.
- To reappoint Messrs KPMG Peat Marwick as the auditors to the Society from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and to authorise the Committee of Management of the Society to fix the remuneration of the auditors.

By order of the Committee of Management, J.C. Ramsden CBE, Secretary  
21st April 1993 Moorgate Hall, Moorgate Road, Rotherham S60 2AW

Any member entitled to attend and vote at the above Meeting may appoint a proxy to attend and vote instead of him or her. A proxy need not be a member of the Society.

A Form of Proxy may be obtained from the Registered Office of the Society and in order to be valid, must be deposited at the Registered Office not less than 24 hours before the time appointed for holding the Meeting.

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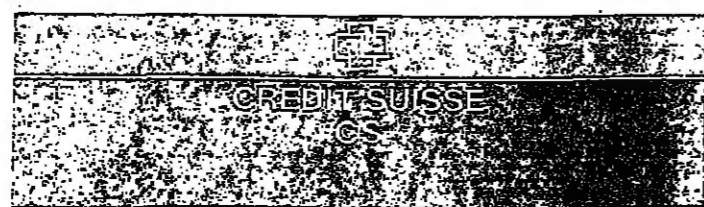
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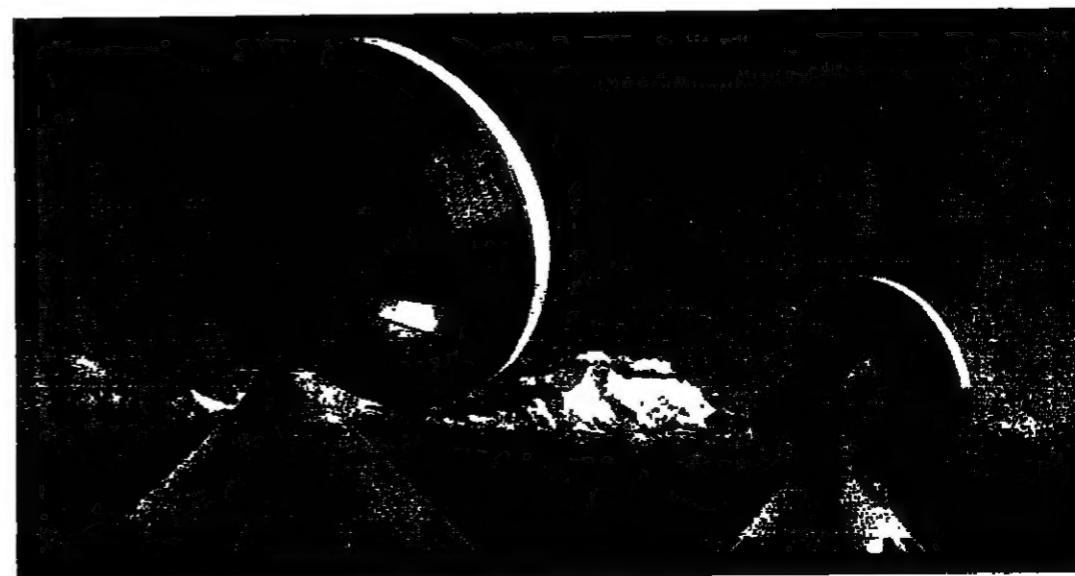
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repairs

**TRAFALGAR HOUSE** CONSTRUCTION companies have won three new contracts worth nearly £15m for building and civil engineering work in the UK and overseas.

Trafalgar & Coils has a repair and refurbishment contract valued at approximately £6.5m at 40 St Mary Axe, which was damaged in last year's explosion in the City. The year-long contract involves repairing the Portland stone facade as well as doors, staircases and ceilings, and replacing windows, plant and internal services.

The regional business of Trafalgar House Construction has two contracts worth nearly £5m for the refurbishment and installation of internal sanitation at HM Prison in Stafford, and the design and construction of student accommodation at the University of Teesside.

Overseas, Cemindia has been awarded a £3.5m contract to construct a 390 metre multi-purpose berth at the port of Paradip in India.

Evered Bardon awarded  
£17m for US projects

**EVERED BARDON**, the international quarry and aggregates group, has won a series of contracts in the US with a combined value of \$27m (£17m).

In Massachusetts, Bardon Trimount will be the main contractor on four highway resurfacing contracts valued at more than \$16m. Over 300,000 tons of coated stone will be supplied to these contracts, which include resurfacing a tolled section of Interstate 90 between Orafton and Framingham for the Massachusetts Turnpike Authority.

The company has also won contracts to supply materials to two major projects in downtown Boston. 17,000 cubic yards of readymix concrete will be supplied to Turner Construction, which has won the contract to build the New England Medical Centre, and more than 400,000 tons of aggregates are to be supplied to Spectacle Island, part of the \$60m Boston Harbour clean-up scheme.

In Washington DC and Maryland, Evered Bardon's Mid-Atlantic division has won contracts to supply more than \$6m of materials. Over 300,000 tons of aggregates will be supplied to the Government Federal Tri-



A view of the Federal Triangle project in Washington

angle building in Washington DC and a similar quantity is to be railed and barged to the Patuxent Naval Air Station in southern Maryland for a major resurfacing contract.

The company has also been awarded the contract to supply 20,000 cubic yards of readymix

concrete to the Baltimore City Jail Annex. Construction begins this month. Aggregates for the concrete on this project will be supplied via Evered Bardon's second aggregates rail terminal in the region, which opened late last month at Canton in Baltimore City.

£19m orders for  
Alfred McAlpine

**ALFRED McALPINE BUILDING** has been awarded another £19m contracts since the beginning of March. These include three contracts to build social housing.

Alfred McAlpine south east region continues its success in winning social housing work with another two contracts.

The larger of the two, worth £4.2m, is for East London Housing Association and involves the reclamation of a disused nursery site in Elsenhower Road, Beckton and the subsequent construction of 77 traditionally built houses on piled foundations.

The second contract is for Crawley Borough Council and comprises the construction of 14 houses and 12 flats at Ifield Road, Crawley. Work on the project, worth £1m, is due for completion in January 1994.

## Colchester housing scheme

**MANSSELL** has been awarded Phases 3 and 4 of a residential design and build scheme for clients The Guinness Trust. Providing a 123-unit development in Highwoods, Colchester, the scheme has a value of £4m with completion anticipated mid-1994.

The design of the scheme has been prepared in collaboration

with the John Groom Association, providing groups of bungalows for the disabled. The bungalows comply to the John Groom building specification incorporating extra wide doors for ease of wheelchair access; ramps and dropped kerbs around the entire development; specially equipped toilets, bathrooms and kitchens.

Two move to invest  
in Save & Prosper

Fund management group Save & Prosper has two new board members, Mark White (right), who moves from within the Robert Fleming Group, and Steen Steincke who was previously with Hafnia, the Danish insurer whose parent company went into receivership last August.

White returns to the UK after seven years in Hong Kong, to replace 52-year-old Simon Walters as investment director in charge of the fund management performance of Save & Prosper. Walters in turn goes back to Hong Kong where he prefers living, to become head of international investment operations at Jardine Fleming. Both Jardine Fleming and Save & Prosper are subsidiaries of the Robert Fleming Group.

Just 37, White joined Fleming from Oxford in 1976 as an analyst. Lately a director of Jardine Fleming Holdings and Jardine Fleming Investment Management, White was also chairman of the Hong Kong Unit Trust Association. Paul Bateman, S&P's chief executive, said it was appropriate at this stage of his career for him to return to a UK-based job. Save & Prosper has long had the reputation of being a slumbering giant, although Walters was able to achieve some improvement in investment performance.

Meanwhile Steincke, a 44-year-old Dane who speaks six



languages, joins in the newly created role of director of European retail operations. The job had previously been included in Bateman's remit; the creation of a separate role reflects the growing importance of the Continent - principally France, Luxembourg and Spain - to Fleming's. Bateman says that Steincke had been looking for a job with a European perspective which he had missed in his last assignment as chief executive of Hafnia Holdings UK. The group says Hafnia's fate was not relevant to the decision to hire him, and that Steincke had an impressive previous track record. Between 1986-1990 Steincke was president of Hafnia Bank in Copenhagen before moving to London to become managing director of Profitic Financial Management in London. Hafnia has now sold the Profitic life insurance operation to Scottish Provident.

Ugland to take over  
chair of ship repairers

**Andreas O Ugland**, a member of the Norwegian shipping family and chairman of Ugland Brothers, the UK-based ship management company, has been appointed chairman-designate of Bristol Channel Ship Repairers.

Ugland is expected to take over the chairmanship in the autumn when Bristol Channel's current chairman, Christopher Bailey, steps down. His appointment appears to mark the end of a sometimes acrimonious battle for control of the group waged over the past nine months.

Ugland is Bristol Channel's largest shareholder. It has built up a 24.19 per cent stake, the bulk of which was acquired

in July when the company bought 18m shares from CH Bailey, which also operates dry dock facilities in the Bristol Channel. This cut Bailey's holding to 8.21 per cent.

In March a bid by Ugland to seize control of the board at an extraordinary meeting was backed by shareholders but foiled when Bailey called a surprise board meeting the day before the EGM and appointed five new directors.

However, it appears that since then the two sides have reached a better understanding. John Love, one of three Ugland directors on the board, says Bailey had recognised that the move was in the best interest of all the shareholders.

## Bodies politic



**Ian Deslandes** (above) has been appointed director general and Jim Kane, a director of Bovis Construction, chairman of the BUILDING EMPLOYERS CONFEDERATION. Sir Robert Gerken, former Flag Officer Plymouth, and John Ingham, leader of Plymouth City Council, have been appointed chairman and deputy chairman of PLYMOUTH DEVELOPMENT CORPORATION. Jonathan Harris, chairman and md of CARLSLE GROUP, is to be one of the private sector representatives.

**Rodney Grahame**, professor of clinical rheumatology at Guy's Hospital, has been appointed chairman of the DISABILITY LIVING ALLOWANCE ADVISORY BOARD.

**Kenneth Edwards**, vice-chancellor of the University of Leicester, has been appointed chairman of the COMMITTEE OF VICE-CHANCELLORS AND PRINCIPALS.

**David Varney**, md of Shell UK, has been appointed president of the United Kingdom PETROLEUM INDUSTRY ASSOCIATION.

**Peter Purton**, recently retired senior partner of Norton Rose, has been appointed chairman of the WINE STANDARDS BOARD of the Vintners' Company.

**Ann Scully** and Christine Downton have been appointed to the board of IMRO.

**BH Clark**, md of SnyderGeneral AAF, has been appointed chairman of Northumberland Tec.

**John Swain**, md of Anopol, has been elected chairman of the METAL FINISHING ASSOCIATION.

Academic to steer  
strategy for  
Clydesdale Bank

**Clydesdale Bank**, the Glasgow-based clearing bank which belongs to National Australia Bank, is bringing in outside blood and, it expects, new ideas with the arrival of new directors. They follow the arrival as ceo last year of Charles Love, formerly director of branch banking with TSB and ceo of TSB Bank Scotland.

Catherine Smith, an academic authority on banking, has been appointed to the newly created post of head of strategic development, joining the executive management committee and reporting directly to Love.

Holding a doctorate in economics from Glasgow University, she has been a consultant and conference speaker, advising clients in financial services in Europe and North America on strategy.

Her reputation grew from a big study of computerisation in the Scottish clearing banks, followed up by a series of management books on banking technology and strategy, of which the most recent is entitled "Tomorrow's success -



profitable strategies from the finance industry".

Clydesdale hopes she will help it to become "a little more visionary, not looking only at the day-to-day".

The bank has also appointed a new general manager of its finance division. He is Peter Aslett, who joins from British Petroleum where he was vice-president for finance and chief financial officer with Tex/Con Oil & Gas in Houston Texas. Before that he worked for ICI both in the UK and the US. He succeeds the long serving Jim McNeillage who has left the bank, "taking with him our very best wishes".

# As if running a company wasn't difficult enough, now society is changing the rules



Society's expectations from commercial organizations have shifted in recent years. Creating wealth is no longer enough. There is increasing pressure for a different relationship with employees. And a growing number of people are questioning companies' use of the earth's limited resources.

Senior managers are often unsure of how to respond, how to include these non-traditional considerations in their business planning, and what their priorities should be. It is understandable that many feel the need to reflect on these issues before defining their company's strategy for the years ahead.

If you are among them, may we recommend our *International Program for Senior Executives*. You will spend a week with your peers, focusing exclusively on these subjects, in a unique program that examines areas that are not usually dealt with in management education.

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It's just not worthwhile ploughing the fields any more," says Yan, a peasant farmer from Sichuan province in China's centre-west. "We've got enough to eat at home, but no money to spend, so people are leaving their villages to find work. In our village, there are only kids and old people left."

Dressed in ragged clothes and obliged to sleep on the ground in Beijing's overcrowded railway station, Yan and his colleagues are part of a vast, surging army that involves what may well prove one of the greatest population shifts in history. The peasant exodus - according to official statistics at least 15m have deserted the land for the cities since the late 1980s - is sounding alarm bells, perhaps belatedly, in Beijing. For it reflects not only a desire by impoverished peasants to share the fruits of China's rapid economic expansion, it also reveals deepening disillusionment among the country's 900m farmers and their families over the slim benefits of toiling in the fields.

Official statistics reveal that peasant per capita net income is ¥1,770 (\$135) a year. This represents less than half that of urban dwellers. Agricultural production is also flagging compared with industrial output. Growth in 1992 reached just 3 per cent against 10 per cent for industrial production.

The bleak outlook for peasant farmers, dependant on tiny plots of land, is the other side of the coin of China's economic "miracle", based as it is on the success of new industrial enterprises in coastal regions fuelled partly by investment from abroad. This marks a sharp reversal from the beginning of China's economic reforms in the early 1980s when agriculture led the way and peasant farmers were held up as models of entrepreneurial achievement.

Officials in Beijing say that after internal Chinese travel restrictions were relaxed it was inevitable that farmers would drift away from their villages towards areas where economic rewards might be higher, such as China's larger cities and coastal regions.

The number of people affected by this economic shift is staggering. Mr Yi Yan Li, a specialist in migrant labour at the Agriculture Ministry, estimates that among China's 400m peasant labourers, about 160m are surplus to requirements. "These numbers," he said "are equivalent to the population of a big country."

## Fields of frustration

China's economic miracle is fuelling an exodus from its rural heartland, says Tony Walker



Farmyard blues: peasants are seeking a better life in urban areas

About 100m peasants have been absorbed in the past 10 years into township and village enterprises that have mushroomed all over China, but this still leaves a vast pool of under-utilised farm labourers which Mr Li described as a "severe problem."

If the authorities cannot persuade people to stay down on the farm, or at least in nearby towns and villages, then problems of urban overcrowding - and the associated danger of heightened political unrest - might become overwhelming. Increasingly dissatisfied with their lot as the gap in incomes between city and country dwellers becomes ever wider, peasants have begun assailing local tax-collecting officials, sometimes violently.

Authorities are especially worried about another consequence of the migration of peasants to urban areas - it has weakened the ability of officials to enforce family planning controls. In an effort to bolster birth control efforts, an additional 15,000 family planning associations have been established,

but these organisations have proved intrusive and unpopular.

Sharpening the focus of peasant discontent over the past year or so has been the sometimes protracted delays by local authorities in redeeming "IOUs", or promissory notes, to farmers obliged to sell a proportion of their grain to the state. Peasant anger goaded the central government into bringing heavy pressure to bear on local officials to honour their obligations. Although Beijing must share responsibility since it has been slow to transfer funds.

At the recent session of the National People's Congress, the Chinese parliament, leaders were taken to task in private discussions over the dangers of neglecting the "farm sector". Wan Li, one of China's eight "immortal" leaders - the surviving Long March veterans in the leadership - is said to have assailed Premier Li Peng over "hukewarm" references to agriculture in his "work report" to the Congress. Mr Wan reportedly summoned the ghosts of leaders of

peasant revolts in China's history to remind Mr Li of the dangers of neglecting more than 80 per cent of China's 1.1bn people. He is also said to have pointed out to his listeners the vital importance of peasant support to the success of the communist revolution.

In his parliamentary address, Mr Li admitted that agriculture, which he described as the "foundation of our economy", was "relatively weak", and noted that peasant incomes had risen slowly and their financial burden has been "too heavy". This was a reference to taxes which are not meant to exceed 5 per cent of net income and other local levies. Peasants are said to be paying on average about 10 per cent of their meagre earnings in taxes and levies. Costs of farm supplies such as fertilisers have also shot up recently as China has begun phasing out subsidies.

China's budget this year provides for a 9.3 per cent increase in investment in agriculture to ¥42bn, but few believe that this will do much to redress a growing imbalance between the agricultural sector and industry. According to government figures, agriculture's share of gross national product slid from 33.7 per cent in 1978, when the so-called open-door reforms began, to 22.1 per cent in 1991.

Recent forecasts of grain output have also painted a fairly gloomy picture when taken together with alarming reports of the "loss" of at least 1.6m hectares of invaluable farmland to industrial parks and development zones.

The official China Daily newspaper commented recently that grain production is likely to drop in coming years due to "shrinking arable land and deflated enthusiasm among farmers". Output this year is forecast to be 442.5m tonnes, roughly the same as last year. A target of 475m tonnes in 1997, outlined by Premier Li in March, is regarded as unrealistic, given problems of morale among farmers and slender rewards available from grain production on small plots of land.

The authorities have been slow to recognise the dangers posed by deteriorating morale in the countryside, coupled with problems caused by the peasant exodus to the cities. There is little sign officials have worked out how to deal with the challenge, beyond expressions of concern. As the income gap between country and city, rich and poor, continues to widen tensions will certainly not diminish.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL  
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### Folly of pouring £800m into 'black hole' of EC agriculture

From Mr Terry Wynn MEP.

Sir, With reference to your leader "Fraud in the EC" (May 5), the UK presidency in reaching agreement at the Edinburgh summit last December on the future financing of the EC, clearly did not help taxpayers by agreeing that agricultural spending could be halved out by an extra £800m. The chickens are now coming home to roost.

This week the Commission presented its preliminary draft budget for the EC for 1994. A monetary reserve of Ecu1bn exists in the EC's budget but it

has only ever been used twice in the past. On those occasions the absolute ceiling fixed for agricultural spending (the guideline) was not exceeded and the overspend related solely to dollar/Ecu fluctuations.

Now the financial regulation is to be altered to allow for European Monetary System fluctuations - this has never been the case in the past. It is already predicted that this will exceed the agricultural guideline by Ecu1.3bn in 1994. With creative accounting and good luck the Commission will be

expected to get this down to an Ecu1bn overspend by use of the reserve.

It does seem worth asking whether the UK is satisfied that a further £800m should be poured into this black hole of agricultural spending when fraud in the existing system is so widespread and when other issues such as job creation are paramount.

Terry Wynn, general rapporteur for the 1994 EC budget, 105 Corporation Street, St Helens, Merseyside

### Guild mentality of doctors and cabbies

From Mr Bernard Heymann.

Sir, I would like to congratulate Dominic Lawson on his piece highlighting the "guild mentality" of the medical profession ("Doctors: a life-threatening problem", May 1).

I cannot help feeling, however, that he is fighting a lost cause. Everyone needs to consult a doctor at some point and this inhibits politicians from taking a radical decision. The doctors defeated the government in 1948 and have continued to do so, in one way or another, since then.

More immediately it will be interesting to see whether the government will be able to modify the regulations requiring mini-cabs to be registered. Like the doctors, the black cab mafia are using their monopoly position to prevent anything that vaguely threatens them. After all, virtually every member of parliament uses taxis! Bernard Heymann, London EC1R 0EH

### Fossil fuel levy should not be replaced by VAT

From Mr B C Bateman.

Sir, David Newbery makes two rash assertions in an otherwise excellent commentary on the workings of the electricity supply industry and the Fossil Fuel Levy ("Fossil fuel levy fails efficiency test", May 6).

The first is to say that "the obvious solution is to replace the FFL with VAT."

Why? The construction of nuclear power stations was a strategic decision concerning the diversity of supply and it was reaffirmed by successive governments. It was therefore not a mistake. If this decision now requires revenue to support it then surely this should be raised through the general burden of taxation rather than falling on the hapless purchaser of electricity.

This leads to his second assertion: that lower product prices would result from a switch to VAT on electricity. This is unlikely to happen in the present circumstances with

margins tight or non-existent, and UK manufacturers paying more for their electricity than those of any other EC country except Germany and Italy. The more likely prospect is that manufacturers would give a huge sigh of relief as an uncompetitive cost component was removed. In short the saving would not be passed on.

The FFL is a device to raise (not recover) revenue. It is manifestly wrong and, as David Newbery remarks, a distortion; industry would be well rid of it. Unfortunately, to remove its effect to taxation would tend to attack one of the government's sacred cows of not appearing to raise taxes and is therefore not politically correct.

B C Bateman, director, business and environment, British Paper and Board Industry Federation, Papermakers House, Ravenhill Road, Salford S16 7BD

### Business history for managers

From Ms Mary B Rose.

Sir, Arnold Krasnodorff ("Testing the history of business", May 1) suggested that putting business history on the school curriculum would encourage a "cultural revolution" which would transform British business prospects. He did not explain how this would be achieved.

The neglect of business history in Britain's management schools is far more important. Internationally comparative business history demonstrates there is no magic formula to ensure competitive advantage. Instead, it shows the need for flexibility in business and the importance of tailoring strategy and structure to accommodate the ever-changing characteristics of particular societies and markets.

By allowing a dynamic analysis of strategy, the study of business history can provide a valuable extra dimension to management training. The teaching of business history in British management schools would generate a real gain for management education rather than the decidedly dubious benefit of a so-called "business culture" in schools.

Mary B Rose, Department of Economics, The Management School, Lancaster University, Lancaster LA1 4YX

### Software etc

From Mr M J Lever.

Sir, Good news that Books etc are giving refunds on unreadable books. If only computer software dealers and suppliers were to copy their lead, life would be wonderful. M J Lever, London NW9

## The pricing of CDs in the US and the UK

From Mr Rupert Perry.

Sir, Your editorial "Bulky prices for compact discs" (May 4) contains a number of factual inaccuracies concerning the pricing of CDs in the US and UK. In this, sadly, it is characteristic of the entire debate around the value of music that has been conducted in the wake of the select committee on national heritage.

You assert that prices in Europe are about 40 per cent higher than in North America. Top line CDs commonly retail in the US at \$14.98, and in the UK at £11.99. Commentators typically fail to allow for the presence of VAT in the UK figure and the exclusion of sales tax in the US, 12 per cent currently in New York state even at these prices (many CDs in Britain are priced at £9.99) the price differential between the US and UK works out at approximately 11 per cent, not 40 per cent.

You write that the industry's argument that the cost of supplying CDs in the UK is higher than in the US "does not ring true". However, the economies of scale in North America mean that virtually all consumer goods are cheaper in the US because their distribution costs and their development costs can be spread over a market five times the size of the UK. Clothes, food, cars, petrol, cosmetics and books all fall into this category. It costs EMI

two-thirds less to manufacture CDs in the US than in the UK precisely because of these volume efficiencies.

Moreover, the largest retailing chains in the US maintain a smaller market share than do the largest retailers in Europe.

In the UK, the WH Smith Group, Woolworth and HMV combined have a market share of well over 50 per cent. By comparison, the top 10 music retailers in the US have only a 32 per cent market share. As a result, US music retailers' gross margins average around 34 per cent as against a UK figure of 33 per cent.

You criticise copyright law for maintaining "wide differentials in wholesale prices between the US and the UK which are then reflected in retail prices". The wholesale price differentials are small, and are augmented (rather than reflected) at retail because of larger retail margins in the UK. The right granted to copyright owners to restrict parallel imports is only one of the vital rights granted by UK legislation. It is not a right granted to record companies alone, but also protects artists, composers and music publishers within the music industry, and extends to protect rights owners in other businesses such as book publishing, computer software and pharmaceuticals. All of these

businesses invest in the UK and need to secure a return on that investment from UK sales. The desirability of this right in encouraging creativity and risk-taking is recognised not only in the UK but also in many other countries including the USA, Canada and Germany.

The Australian authorities, which last year recommended the withdrawal of the parallel importation right in 1994, are now reconsidering their position because recent exchange rate charges have eroded the price differential between Australian records and those in certain foreign markets. Exchange rate fluctuations, resulting from government actions and the machinations of the money markets, are perhaps the key determinants of relative prices.

Profit is not a dirty word: the £3 off the price of CDs advocated by WH Smith would certainly make it a rare one. The last comprehensive survey of the UK record industry was carried out by Coopers & Lybrand and covered 1990. It showed that the average return on sales of British record companies, big and small, was approximately 5 per cent. Acting upon WH Smith's recommendations would plunge most of these record businesses into loss at a stroke, at no cost to WH Smith and its fellow retailers who would retain their

margins and expect higher volumes.

Consumers will not, even in the medium term, benefit from such action. Through the continual pursuing of a policy of price reductions, the American record industry typically operates on wafer-thin margins. The consumer in America has predictably suffered as cost pressures have forced the American industry to reduce their investment in artists and in genres of music.

Attempting to understand the complexities of the British record industry and its value to our cultural life and economy has not been placed at a premium throughout this current debate on CD pricing. Let us hope that the select committee and the Office of Fair Trading will study the facts before the rhetoric.

I am mindful of the prime minister's recent exhortations to business people, when he urged them "to keep on exporting and we'll keep on supporting". The British music industry is the third largest earner of invisible exports for this country, and with the support of the government, EMI and other record companies intend to improve upon their already impressive drive for exports.

Rupert Perry, president and CEO, EMI Records Group, 20 Manchester Square, London W1A 1ES

From Mr John Deacon.

Sir, I am sorry to see that in the case of the music business you do not exercise the same rigour as you do in your analysis of other sectors.

CD prices are not 40 per cent higher in Europe than in the US. Even if there was any relevance in making comparisons based on exchange rates, the figure would be around 10-15 per cent. Contrary to your assertion, there are very good reasons for this. Cultural products are not like soap powder and selling music into 15 different languages requires a fresh approach to packaging and marketing, and higher costs in each territory. In the US, any record, American or not, is marketed over an area five times the size of the UK with one coherent campaign. The potential for cost savings is clear.

The British record industry has always budgeted on the basis of UK sales alone and then entered into licensing agreements with foreign record companies for export. Even if we wanted to export directly to the US we could not - their very high import taxes mean it is not feasible, a situation now advocacy of the abolition of import controls in the other direction, into Britain, fails to take into account.

John Deacon, The British Phonographic Industry, 25 South Row, London W1X 1AA

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# FINANCIAL TIMES COMPANIES & MARKETS

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Monday May 10 1993

**Fair pay**  
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THE EUROPEAN ENTRY 1993-94  
WHITTINGDALE THE WORLD WAGE

## INSIDE

### Russia poised for first treasury bill issue

Russia is to proceed with its first treasury bill issue on May 18 following several postponements. The issue will mark the start of a plan to finance Russia's enormous budget deficit without printing money. Ruble worth of three-month treasury bills will be sold at a discount likely to produce a 100 per cent annual yield, said Andrei Kozlov, the central bank official handling the issue. He said that Russian commercial banks and exporters would benefit from instant liquidity.

### Brazilians rush to the Euromarket

Brazilian banks and companies have put last year's impeachment of President Fernando Collor (left) behind them in a rush back to the Eurobond market to take advantage of relatively attractive interest rates. So far this year, 22 banks and companies have raised more than \$1.4bn through issuing Eurobonds. For investors, it is a rare opportunity to earn 11 to 14 per cent per annum at a time when US interest rates are at an historic low.

### Drew applies for a listing

Drew Scientific Group, a UK manufacturer of machines that allow doctors to monitor the management of diabetes, is applying for a stock market quotation. It will join later this month through a placing of some 30 per cent of its shares, valuing the Chislehurst-based group at about £25m. Drew Scientific's main product, the Glycomet, is an automated analytical instrument capable of monitoring large numbers of blood samples. It is now making instruments for a larger market that needs tests for the level of glycated haemoglobin in blood.

### Santander makes Portuguese bid

Banco Santander, the big Spanish private bank, has launched a takeover bid for the 75 per cent of Portugal's Banco de Comercio e Industria it does not already own. A spokesman for Santander estimated the bid to be worth a maximum Ptas18tn.

### Prospective p/e ratio

The latest prospective p/e ratio for the "500" index for calendar 1993 is 14.3, according to IBES, the consensus estimates service (last week 14.3). This compares with an IBES estimated p/e for the "500" of 18.3 (18.6) for calendar 1992. The official FT calculation of the historic p/e, based on the latest reported earnings, is 17.70 (17.81).

### Market Statistics

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## Wood seeks to swap pay for RBS equity

By John Gapper

MR Peter Wood, the director of the Royal Bank of Scotland, who is likely to earn more than £10m this year from the growth of its Direct Line insurance operation, is considering offering to swap his pay bonus contract for equity in the bank.

A swap of the contract, which links his annual performance bonus to the asset growth of Direct Line, could make him one of Royal Bank's largest individual shareholders, with a stake of up to 2 per cent of its ordinary shares. Last year Mr Wood's bonus accounted for £6,014,000 of his total

emoluments of £6,131,390. Mr Wood said in an interview with the Financial Times that he hoped to enter talks with the bank before his September year-end on a buy-out of his contract, agreed in 1988 when he sold it his 25 per cent stake in Direct Line.

If Mr Wood exchanged his bonus contract for Royal Bank equity, it would diminish speculation that he will press for a separate floatation of the Direct Line business, which he founded in 1985 with financial backing from the bank.

Mr Wood already holds more shares of Royal Bank than any of its other board

directors. He had a stake of 334,610 ordinary shares at the end of 1992, which is worth £893,400 at the bank's share price of 267p on Friday.

Mr Wood said he could not predict the outcome of talks, but he believed his bonus contract was worth between 1 and 2 per cent of Royal Bank's £2.1bn market capitalisation, which would give him a stake of between £21m and £42m.

He said he believed there would still be larger family shareholdings in Royal Bank. The biggest institutional holders in 1992 were Banco de Santander, with 9.8 per cent, and Scottish Equitable Life

Assurance, with 5.24 per cent.

Mr Wood said he was keen to change his contract because the fact that he was getting cash in return for giving up Direct Line meant his pay arrangement was "distorted" and attracted public attention he would prefer to avoid.

Although there has been speculation over whether Mr Wood fits comfortably into Royal Bank, he said he was happy to work with its chief executive Mr George Mathewson, and it was now logical to consider alternatives to floatation.

Direct Line was last week disclosed to have trebled first-half profits to £15m.

## Generali raises capital for subsidiary

By Heli Simonian in Milan

GENERALI, Italy's biggest insurance company, is planning a complex capital-raising deal for its Allianz life insurance unit. It also announced slightly higher profits for 1992 after two years of profit falls.

The deal will raise between L457bn and L710bn for Allianz, which recently invested heavily in a stake in Banco Ambrosiano Veneto, Italy's biggest private-sector bank. Details of the capital raising are not finalised and the impact for Allianz, Generali or shareholders is unclear.

Generali's net profits rose to L389.8bn (£165.73m) last year from L380.6bn in 1991. The increase, after falls as underwriting losses grew, was in spite of a L349bn write-down on the securities portfolio. Taxation increased sharply to L149.5bn last year from L55.4bn in 1991.

Operating profits rose to L255.3bn from L108.2bn, on a 21.9 per cent jump in group premiums to L2,804bn. Preliminary consolidated premiums soared about 40 per cent to L22,425bn. Adjusted for exchange-rate factors and acquisitions, the rise was about 12.5 per cent.

The improved profits came despite a rise in non-life underwriting losses to L142.7bn from L112.8bn. By contrast, Generali's life insurance profits rose to L633.5bn from L493.4bn. Earnings were also boosted by a L249bn gain on exchange rate movements.

Shareholders' confusion over the Allianz deal was mitigated by Generali's decision to pay this year's dividend of L350 a share wholly in cash, instead of a mixture of cash and Allianz shares as last year. The Allianz transaction involves, first, a free one-for-four issue of 108m new ordinary shares and 21.6m savings (non-voting) non-convertible shares. That will be followed by a second capital increase, involving up to 50.7m new ordinary shares, which will serve a new six-year convertible bond. This bond will pay interest between 4 and 6 per cent, and will be priced between L2,000 and L14,000.

Generali will also issue three-year warrants, in a like number to the convertible bonds, on 16.5m non-convertible Allianz savings shares it currently holds. The warrants will be priced at L1,300 each. Generali will receive L60.9bn for the warrants. Further proceeds will come through the linked sale of its Allianz savings shares.

## Richard Waters and Norma Cohen report on the fight against insider dealing Invisible enemy defies the City sleuths

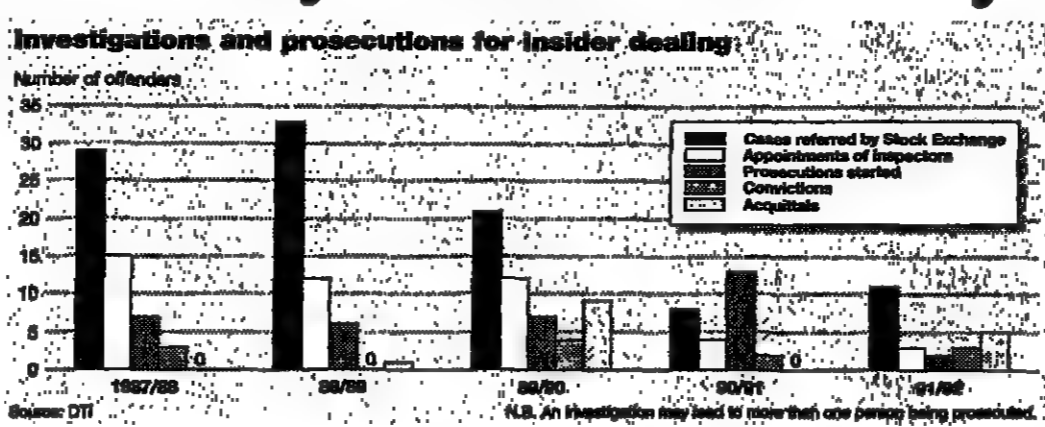
Insider dealing is like sex. To hear some people in the financial world talk, everyone else is doing it all of the time - except you.

In fact, no one has any idea how common (or uncommon) the crime really is. As Mr Peter Gerard, general counsel at the London Stock Exchange, says: "That's part of the problem. It makes it easy for anyone to stand on a soapbox and talk about it."

Jumping on the soapbox last week was Mr Paul Myers, chairman of UK fund manager Gartmore. In one of the City's periodic outpourings of angst on the subject, he wrote to the Financial Times to complain about a sharp drop in the share price of Tipbook, the transport rental group, in the days before the company issued a profits warning. On previous experience, he said, it was unlikely the Stock Exchange would be able to do anything about it.

Other fund managers queued up to agree with him. Several pointed to the cases of MTM, the chemicals company, and BM Group, the construction equipment company, both of whose shares collapsed spectacularly last year after having fallen suspiciously sharply in the days before bad news was announced. Some claim the Stock Exchange lacks the will to police its members, or is too passive. "Most insider dealing is done by stockbrokers," said one shareholder, adding that the self-regulatory nature of the exchange meant it could not take the tough action necessary to root out and punish insider dealing.

The Stock Exchange, the body primarily responsible for detecting the crime, denies the charges, but agrees it has been hampered in its fight against the crime. A private body with powers only over its members, the exchange has limited access to information. Department of Trade and Industry inspectors, to whom the exchange refers cases it has



assembled, have greater powers, for instance, to require witnesses to answer questions.

"The gap comes where we don't have the powers needed to gather sufficient information for inspectors to be appointed," said Mr Mike Feltham, head of the exchange's insider dealing group. A central agency - perhaps the Securities and Investments Board - should be invested with all the powers and resources necessary to do the job, he says.

The exchange's complaints have fallen on deaf ears at the Treasury, where an official said: "It is very easy to come up with panaceas - an insider dealing tribunal, a change in the burden of proof, a new central agency. But the central difficulty is to establish that someone actually possessed inside information. It is easy to have the suspicion."

On this point, all agree. The rumours that sweep the stock market can take share prices up or down sharply. "A lot of those movements are market manipulation rather than insider dealing," says David Rough, investment director at Legal and General. Many other cases are prompted by speculation. Finding the evidence that a suspect actually dealt on inside information has defeated many potential prosecutions in the past.

The Treasury has decided not

to use the opportunity presented by the implementation of the EC's Insider Dealing Directive in UK law to step up the fight against insider dealing. Prompted by the EC directive, the new legislation, included in the Criminal Justice Bill, may make a marginal difference to the fight against the crime: the need for prosecutors to establish a "connection" between the insider dealer and the company whose shares are traded will be abolished.

**'The difficulty is to establish that someone possessed inside information. It is easy to have the suspicion'**

lished, for instance. However, the Treasury's draft legislation on insider dealing, which will land on the desks of City trade associations this morning, will do nothing to tackle the problems of enforcement about which investors like Mr Myers complain.

Despite the soul-searching in the financial world, it seems likely that some forms of insider dealing are declining. Even after it became a crime in 1980, trading on inside information remained an institutionalised practice in

securities houses, and brokers were valued more for their well-timed tips, not their analysis. The well-publicised insider dealing cases of the late 1980s in the US and UK changed all that, prompting securities and investment management firms to introduce and enforce tougher dealing rules on their staff.

Also, companies and their advisers are coming under greater pressure to keep information secret, and to publish price-sensitive information promptly. The exchange says it has become concerned at the leaking of information to Sunday newspapers and has called in a number of chairmen of listed companies in recent months. These tickings-off have been done the way the City likes best - in secret - but the exchange threatens it may make cases public in future.

Despite this, listed companies still like to prepare the market for bad information. "Companies call it news management," said the head of UK equities at one leading fund management house. "They don't exactly say 'We're issuing a profits warning.' They just give you enough information to realise the profits estimates of most analysts are too high."

A shareholder said that in one such meeting with the management of a major international food group last autumn, he real-



Mike Feltham: hampered

ised that the company was likely to take write-downs at year-end which had not yet been factored into analysts' profit forecasts. As a result, he held off buying a further stake in the company.

Prompter publication to the market as a whole would keep insider dealing at bay, whether real or suspected. The slide in the Tipbook share price came in the days after the company had told its broker, UBS, that it planned to issue the profit warning, but before the warning was announced. The longer price-sensitive information sits around the offices of a company or its advisers, the more likely it is to leak.

The conviction in March of Mr Thorold Mackie, the Edinburgh-based stockbroker fined for advising his clients to trade in the shares of Shanks & McEwan, also sprung in part from a delay in publication. He was told of a possible profits warning at the company two weeks before it was published to the stock market.

As the Treasury official says: "More pressure should be put on companies to get information out to the market quickly." And a fund manager adds: "The minute a material development is known, the company should be required to disclose it to all shareholders." After all, if there was less inside information, there would be less insider dealing.

MR Yegor Gaidar, the former Russian prime minister, concluded three lectures at the London School of Economics last week with an upbeat message which left his audience of economists, academics and businessmen with the impression that Russia has found a new Stolypin.

"If we can maintain political stability, Russia will continue to be a very poor country into the 21st century. But it will also be one of the most dynamically developing markets in the world, in which western businessmen will fail to participate at their peril," the 38-year-old economist and former journalist predicted in his fluent but heavily accented English.

With the slogan "order, then reform" Pyotr Stolypin, Russia's last great reforming prime minister, picked up the pieces after the failed 1905 revolution. He set out to create a prosperous peasantry and a stable middle class and so underpin Russia's transformation into a modern, constitutional monarchy. Tragically, he died from an assassin's bullet in 1911.

Russia's current reformers faced a similar task as they sought to fill the vacuum created by the failure of the August 1991 attempt to restore the old Soviet power structure. They moved to cut bloated military spending by 70 per cent, started to tackle an inflationary monetary overhang and opted for rapid mass privatisation as the main instrument of socio-economic transformation.

Stolypin, whose readiness to jail or execute violent opponents led to the gallows being nicknamed the "Stolypin necktie", took a tough line with those in the way of his reforms. By contrast, Gaidar explained how Russia's post-coup reform team went out of their way to bring opponents round and argued that privatisation in particular must be drafted to benefit all its potential opponents.

## Upbeat Gaidar sees minds won over by reform

What that meant in practice, he told his LSE audience, was a "mass privatisation programme that allocated shares to enterprise managers and the work collectives directly involved, as well as to power centres such as local governments, security forces and teachers with the passive power to block any reform."

"We have created a new social basis behind our economic policy and this in my view is the reason for our success in the referendum. Life has changed in the ordinary

### Economics Notebook By Anthony Robinson

Russian city. People are suffering from higher prices and corruption and face the prospect of rising unemployment. But there are enormous opportunities, especially for the young and energetic, to earn good money. People no longer have to travel 1,000km to Moscow to buy a terrible salami sausage, or wait hours in line for bread, milk or meat. They can even buy luxuries which they never imagined would appear in their shops - like bananas," he said.

This is the optimistic, post-referendum perspective. The picture looked less rosy last December when Mr Gaidar, identified as the arch-reformer by conservatives, was sacrificed by Boris Yeltsin to quieten the baying of the anti-reform lobby.

Gaidar's explanation for what went wrong harked back to the previous spring and the rouble zone sparked off a flood of money from the Russian central bank to bail out Russian enterprises, he explained. In December, Mr Gaidar was replaced as prime minister by Mr Viktor Chernomyrdin, a typical Soviet era enterprise manager, and the flow of easy credits to enterprises resumed. At this point, Gaidar explained, all that remained of the reform programme was the momentum behind the privatisation programme and the determination of the reformers still in the government to try to regain control over the money supply. Four months later, however, the referendum vote showed strong support for continuing the reforms. Gaidar believes the result shows that the close relationship between easy credit and higher prices is now

better understood. He also believes that the start of the biggest mass privatisation programme ever seen has swung many enterprise managers and sceptical workers into the reform camp.

"The change of attitude has been dramatic," he said. "Last spring factory managers combined in the government, clamouring for easy credit. By autumn there was a clear divide between those nostalgic for the old days of easy credit and state orders and the younger, more energetic managers who saw their future as the heads of big private companies, competing with western companies and enjoying a high standard of living."

As for workers, he added, "they used to complain about high prices and low wages. By September they were asking what should we do with our vouchers and is the management plan for the future of our factory sensible, or are they fooling us?"

The reformers' initial success in cutting the budget deficit and persuading the central bank to raise interest rates showed it was possible to change from soft-budget constraints and supply shortages to a demand determined economy facing hard budget constraints.

Mr Gaidar's insider account, drawn from memory and delivered without notes, underlined the parallels between the window of opportunity opened up by the failed coup of August 1991 and the new opportunity to take reform further which has opened up in the wake of last month's referendum.

Enriched by the mass of compressed experience since the collapse of the Soviet Union and made wiser by the mistakes committed, the reformers are again seeking to wrest the initiative. Among their targets to regain control of the money supply, raise energy prices to world levels, and bring Yegor Gaidar back into the team.

## Berisford in profit after three years of losses

By Maggie Urry

BERISFORD International, the property and agribusiness group which on Friday saw its £184m offer for C&J Clark turned down by the shoe company's shareholders, will today announce a return to profits after three years of losses. It is likely to reiterate plans to buy other businesses.

Interim results are not likely to include the costs of the abortive offer for Clarks. These are thought to be well under £1m, with many advisers' fees geared to success.

Clarks' costs may be much higher. Its merchant bank, Schroders, held a full-scale international auction for the company approaching more than 40 possible bidders after shareholders agreed last October to seek a buyer.

Schroders, whose position has been questioned after Friday's shareholder vote to keep the group independent, said yesterday it foresaw a continuing relationship with Clarks.

Questions hang over the future of Clarks' chairman, Mr Walter Dickson, and six other directors. Attempts to oust Mr Dickson last October could be repeated, although on Friday shareholders promised to end the disharmony which has bedevilled the company.

Berisford is expected to show a small pre-tax profit for the six months to end March. This is thought to have come from asset sales rather than trading. Operations are likely to have shown a small loss.

In the comparable period Berisford lost £37.4m before tax on an FRS 3 basis, after £49.2m of provisions.

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# Russians set date for Rbs1bn issue

By Leyla Bouillon in Moscow

THE RUSSIAN authorities plan to press ahead with their often-postponed first Treasury bill issue on May 18. The issue will be for Rbs1bn worth of three-month Treasury bills to make a start in financing the country's enormous budget deficit without printing money.

The Treasury bill market, however, will initially be closed to foreigners.

Mr Andrei Kozlov, the central bank official handling the issue, said the bills would be sold at a discount likely to produce a 100 per cent annual yield, well below inflation currently running at 1,100 per cent a year.

But he said that Russian commercial banks and exporters would have an incentive to buy the bills. It would be better than keeping huge amounts of vital cash to compensate for the fact that the Russian central bank can take weeks or months to transfer money through its rickety payments system.

"We are promising instant liquidity," Mr Kozlov said.

The central bank also has a habit of hanging on to rapidly-depreciating roubles owed to exporters who have to sell 30 per cent of their hard currency earnings to it.

Mr Alexei Kuznetsov, acting chairman of Incombank, one of 20 official dealers, said the issue would be attractive if banks could hold part of their reserves in the form of Treasury bills. The current reserve requirement is 20 per cent.

Mr Pavel Zhikharev, chairman of Sberbank, the country's nationwide savings bank, which until recently had its deposits simply appropriated by the government to help finance the budget deficit, said his bank was likely to buy the bills.



Boris Fyodorov: insisted on 'civilised' way to fund deficit

He added that this was on condition that the bills would indeed yield 100 per cent and not be subject to tax, as promised by the authorities.

Mr Boris Fyodorov, finance minister, who has long insisted the authorities start to finance the budget deficit using "civilised" methods such as treasury bills, complained recently that high inflation would make it difficult to "sell a decent amount" of them.

But Ms Bella Zlatkis, head of the finance ministry's securities department, said the government proposed to sell a total of Rbs1,000bn worth of Treasury bills this year - compared with an expected budget deficit of several thousand billion roubles.

She said two experimental auctions had already shown there would be demand for the paper, but she was hoping the central bank would make it compulsory for commercial banks to hold some of their reserves in the form of Treasury bills.

Mr Kozlov has so far resisted making this compulsory.

# Spanish in Pta18bn Portuguese bank bid

BANCO Santander, one of Spain's biggest private banks, has launched a takeover bid for the 75 per cent of Portugal's Banco de Comercio e Industria it does not already own, AP-DJ reports from Madrid.

A spokesman for Santander estimated the bid to be worth up to Pta18bn (\$155m).

Santander said the Portuguese bank's other overseas investors, the Royal Bank of Scotland with 15 per cent and Metropolitan Life Insurance with 3.6 per cent, have approved its offer.

The Spanish bank will pay Esc1,400 (\$9.53) a share for the bank, a 40 per cent premium over BCI's average share price in recent weeks. The bid must be approved by the Portuguese authorities.

Royal Bank of Scotland, Santander and BCI participate in a cross-border computer network with Credit Commercial de France.

Santander and BCI also have a banking alliance, with the Spanish bank holding 9.9 per cent of BCI and the Scottish bank holding a 2.6 per cent stake in Santander.

Mr Jose Sevilla, a banking analyst with Madrid brokerage FG Inversiones Bursatiles, said the move was in line with Santander's strategy in Portugal, where they are "pretty aggressive in terms of introducing new products."

Santander shares closed Pta10 down Friday at Pta5,060.

BCI operates in retail and investment banking, as well as corporate finance and leasing activities. It has expanded strongly in the past two years, increasing its branches to 86 from 25, with another 30 scheduled to open this year.

Assets rose 36 per cent in 1992 to Pta295bn, while deposits rose 40 per cent to Pta177.7bn.

Net profit in 1992 reached Pta1.73bn, Santander said, without giving a year earlier figure.

# Indian Airlines chief quits after row with ministry

By Stefan Wagstyl in New Delhi

INDIAN Airlines, the troubled state-owned carrier, has been thrown into confusion by the sudden resignation of its chairman and managing director.

Mr Vasudev's departure comes at a time when the airline has been widely criticised for its records on safety and strikes, and its heavy financial losses.

The immediate cause of Mr Vasudev's departure was a row between him and Mr Ghulam Nabi Azad, the aviation minister. In a letter, Mr Vasudev accused the ministry of "systematically undermining" his role as chief executive.

Mr Vasudev took office only last July, when the chairmanship had been vacant for more than six months following the resignation of his predecessor over the handling of a pilots' strike in late 1991.

He also ran into trouble with the pilots who went on strike for higher pay in December 1992 during the peak season for foreign tourists and business travellers.

Mr Vasudev tried to break the strike by hiring Tupolev jets and crews from Uzbekistan Airlines. He wished to instill commercially-minded management practices into the airline, which is facing increasing competition from fledgling private carriers.

The attempt collapsed when a Tupolev crashed in January at New Delhi airport. No-one was seriously hurt, but the government forced the airline to accept the pilots' demands.

However, in the last month, two Indian Airlines jets were hijacked, prompting an investigation into security standards, and 53 passengers were killed when another aircraft crashed at Aurangabad, in western India.

Accident investigators are examining whether the aircraft, an ageing Boeing 737, had been in fit condition to fly and whether it had been overloaded.

In his resignation letter, Mr Vasudev says the airline management's "subject surrender" in the strike led to "rank indiscipline in the organisation" and the "greatest casualty of indiscipline" was safety.

# Sarrio blames KIO as profits tumble

By Tom Burns in Madrid

SARRIO, the Spanish cardboard producer controlled by Italy's Saffa group, announced a sharp fall in net profits to Pta105m (\$90,000) for 1992 from Pta2.7m.

The group said the blame lay solely with the Kuwait Investment Office.

Mr Carlo Bonomi, chairman, said Sarrio was owed Pta5.6bn by Grupo Torras, KIO's investment arm in Spain, which bought Sarrio's special paper operations in February 1991.

Sarrio is suing Torras, as well as the KIO and the Kuwait Investment Authority, the investment office's controlling department, for non-payment on the transaction.

At the same time, Sarrio has been forced to provide against a fall in the value of shares in Torras-controlled companies it acquired as part payment on the deal.

Grupo Torras went into receivership at the end of last year. Mr Bonomi said Sarrio's results had been dramatically affected by the KIO.

# Moody's downgrades NEC debt

By Michio Nakamoto

MOODY'S, the US credit rating agency, has downgraded the long-term debt rating of NEC, citing expectations that the Japanese electronics group's debt cover will deteriorate. The agency reduced its rating from A2 to A3.

NEC, a leading manufacturer of telecommunications, computers and semiconductor products, faces increasing competition in many of its markets, Moody's said.

The group has seen the proportion of retained cash-flow to total debt fall to about half over the past several years.

while interest cover has fallen from three times to about one and a half. The company is also forecasting a substantial loss in the year to March 1993, so interest cover will fall further.

In the Japanese PC market, which NEC has dominated with its proprietary system, competition from US manufacturers is set to intensify with the spread of MS-Windows.

This new operating system will loosen NEC's hold on the market by challenging the predominance of its Japanese-language software that has been maintained due to its proprietary system.

In addition, the company faces increasing price competition from US manufacturers, which will also erode its market share of over 50 per cent in Japan, Moody's says.

In its semiconductor business, NEC is in a market where research and development and capital investment continues to rise rapidly with each new semiconductor generation, while profits from semiconductor sales continue to decline.

Moody's has also downgraded NEC's short-term debt ratings and the rating of NEC Industries Netherlands from P-1 to P-2.

# Shanghai lets in foreign brokers

By Tony Walker in Beijing

THE Shanghai stock exchange has approved 23 foreign brokerage firms to deal directly in its B-share market.

These are shares denominated in US dollars and restricted to foreigners.

Among the 23 approved securities houses are Merrill Lynch of the US, Credit Lyonnais of France, Nomura International

of Japan and Sun Hung Kai of Hong Kong.

Mr Wu Yuhun, deputy chief manager of the exchange, said the foreign companies had been offered direct access - previously foreign securities firms were obliged to deal through a local affiliate - to meet the growing needs of overseas securities agencies.

Mr Wu said the presence of a foreign securities companies

would make transactions more competitive on the world market.

Trade in the B-share market has been flat recently, partly because foreign investors have been awaiting the listing on the Hong Kong exchange of select mainland companies.

Reservations about a lax regulatory environment in China are one of the factors deterring fund managers.

# Altron ahead 11.5% at R103m

By Philip Gwinnett in Johannesburg

ALTRON, the diversified electronics, information technology and power cables group, lifted attributable earnings in difficult operating conditions by 11.5 per cent to R103.3m (\$32.68m) in the year to February from R92.7m a year earlier.

The best relative performance came from Finetech, the information technology arm, which lifted attributable earnings to R26.2m from R20m.

Powertech increased earnings by 7 per cent to R48.3m from R43.4m, but Altech's earnings fell back slightly to R90m from R92m as an improved operating performance was offset by lower interest income on cash balances and a higher tax bill.

Group turnover edged ahead to R2.7bn from R2.6bn, but tough trading conditions saw operating income fall to R261.2m from R294.5m. The dividend was increased by 7 per cent to 170 cents from 159 cents last time.

Mr Bill Venter, executive chairman, said the group had made progress in pursuing its policy of strategic acquisition while investing in new markets and growth opportunities domestically and abroad.

Altron has acquired an investment in Alcatel Alsthom, the French telecommunications systems manufacturer, which in turn has taken a 30 per cent stake in Alcatel Alsthom Telecom. This deal, and existing ties with the Swiss ABB group, offers Altron entry to their markets.

# Reisebüro Kuoni turns in 13.9% advance in sales

By Ian Rodger in Zurich

REISEBÜRO Kuoni, the Swiss travel group, said it looked forward to a "relatively satisfactory" result in 1993.

The group, in which the German retailer Kaufling purchased a 30.1 per cent capital stake last year, reported that 1992 group sales rose by 13.9 per cent to Sfr2,460m (\$1,720m) and net profits more than doubled to Sfr49.5m from Sfr21.3m.

Mr Peter Oes, chief executive, said at the group's annual press conference that Kuoni was discussing co-operation with Kaufling's IFS travel subsidiary. It has also been agreed that Kaufling would select two of the group's seven board members.

The Swiss Kuoni-Hugentobler Foundation, created by the group's founder, holds a 52.8 per cent voting majority. Swissair sold its 35.8 per cent stake in Kuoni last May.

# ISS to make US purchase

By Hilary Barrow in Copenhagen

ISS, the Danish cleaning services and building maintenance group, is to acquire the US National Cleaning Group, controlled by the UK's Nu-Swift.

In turnover terms, the acquisition would probably rank as the biggest foreign acquisition ever made by a Danish company. ISS hopes the deal can be concluded in June, but no purchase price was disclosed.

Prices for securities denominated in the currency of the issuing country and listed on the London Stock Exchange			
ISIN	Price	Yield	Dividend
0000	10.00	10.00	10.00
0001	10.00	10.00	10.00
0002	10.00	10.00	10.00
0003	10.00	10.00	10.00
0004	10.00	10.00	10.00
0005	10.00	10.00	10.00
0006	10.00	10.00	10.00
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10th May, 1993

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At the Annual General Meeting held on April 30, 1993, the shareholders decided the payment of a dividend of ECU 5.75 per share of the compartment ECU Bond Fund, payable on or after May 14, 1993 to shareholders on record on April 30, 1993 against surrender of coupon N°2. The shares will be quoted ex-dividend as from April 30, 1993.

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Copies of the Interim Report and Accounts to 31st January 1993 are now available from the registered office of the company, from Robert Fleming & Co. Limited, 25 Collyer Avenue, London, EC2R 7DR and from Morgan Guaranty Trust Company of New York, Avenue des Arts 25, B-1040 Brussels, Belgium.

10th May 1993

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May 10, 1993

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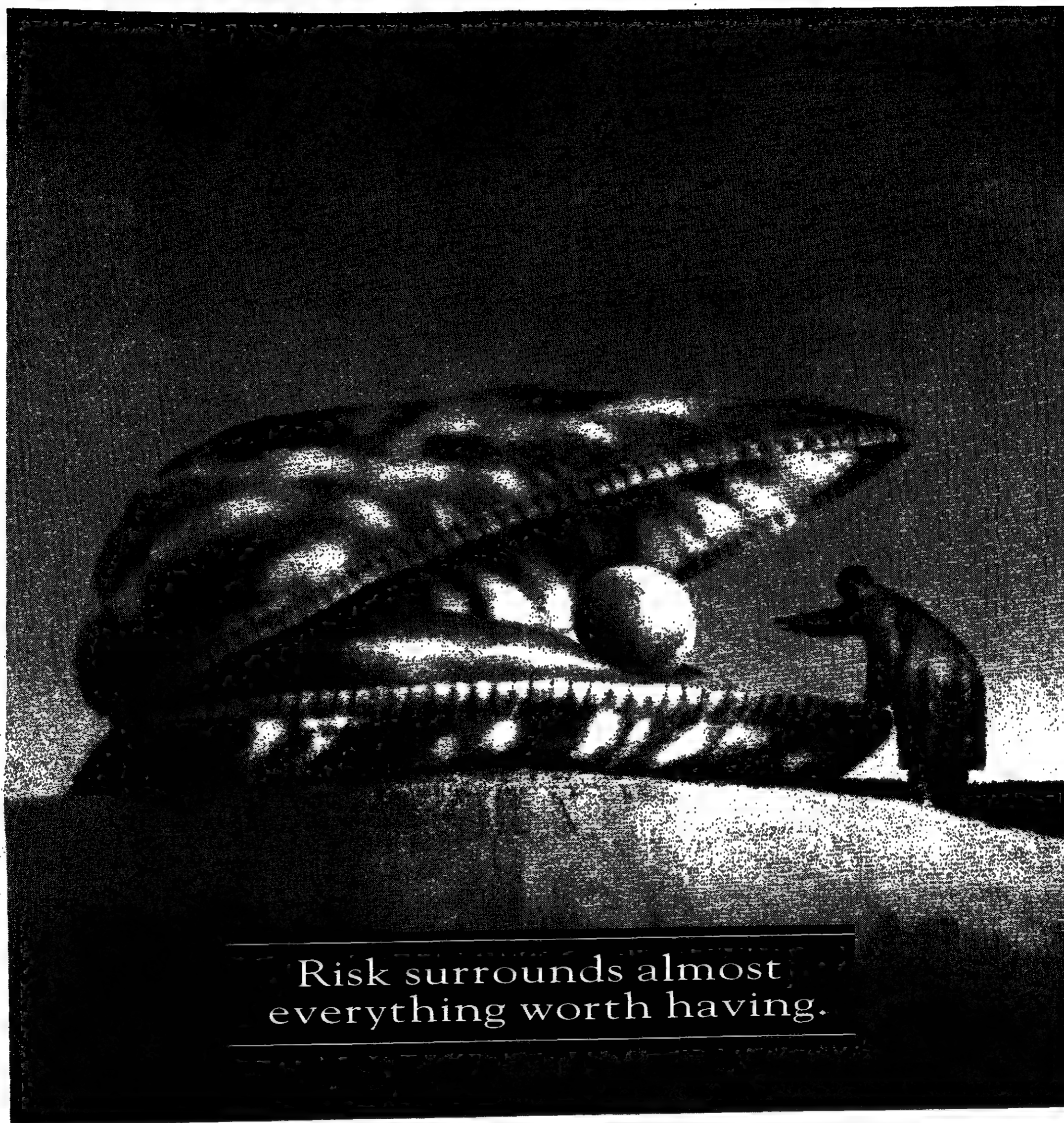
herby announces that a statement pursuant to article 9, para 2 of the Major Holdings in Listed Companies in The Netherlands Disclosure Act (WV2) is available from the company offices at Prof. E.M. Meijerslaan 2, 1183 AV Amstelveen, The Netherlands.







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	Traded	Prices	on day
Nippon Oil	19.1m	695	+10
Mitsui Mfr & Svc	13.5m	999	+8
Mitsubishi Fvy	16.7m	734	+17
Suntomo Mf Mch	14.8m	1,020	+10
Fuji Corp	14.7m	601	+18

	Stocks	Closing	Change
	Traded	Prices	on day
Holohi Elec	12.4m	1,560	+80
Nihon Ryok0	5.5m	556	+7
NEC Corp	8.0m	1,039	
Kumagai Gumi	5.3m	559	+44
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1. *Journal of the American Medical Association*, 1997; 277: 103-107.

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Net - Liquid	113.1	122.3
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FOCUS (111)

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

Focus on Denmark

ALTHOUGH pressures inside the Exchange Rate Mechanism have subsided in recent months, close attention will be paid to the Danish krone's moves inside the system this week, writes James Biza.

With only 10 days to go to Denmark's second referendum on European Monetary Union, some dealers will be jittery about the Danish currency. Few can forget that the rejection of the first referendum nearly a year ago was the overture to the autumn currency crisis.

UK clearing bank base lending rate 6 per cent from January 26 1993

There appears to be a better chance of the treaty being ratified by the Danish people this time, although an opinion poll on Friday showed that the number of people voting No in the referendum had increased from 33 per cent to 39 per cent. The Danish krone therefore starts the week somewhat weaker in the ERM grid, with a divergence of 42 percentage

points against its central Euro rate. Several opinion polls are due to be released this week and they will be closely watched.

One factor which may support the krone is the D-Mark's weakness against most European currencies, which has been a theme of recent trading.

Barely a week goes by now without the Bundesbank easing some instrument of monetary policy, and there will be a close watch again on Wednesday's repo rate fixing.

There were signs last week that the weakness in the German economy was starting to make itself felt in the dollar/D-Mark exchange rate. Despite a poorer than expected non-petrol figure for April, the dollar rose by nearly 1/2 a penny on the day.

This week's US indicators may help investors decide what view to take of the US economic upturn. Retail sales figures for April are due out on Thursday. Friday sees the release of industrial production figures for the same month.

POUND SPOT - FORWARD AGAINST THE POUND									
May 7	Day's spread	One month	One month	% p.a.	Three months	% p.a.			
US	1.5710	1.5885	1.5735	1.5735	0.38	1.13-1.16p			
UK	1.6070	1.5920	1.5875	1.5885	0.52	1.25-1.28p			
France	1.7575	1.7400	1.7300	1.7300	0.52	1.35-1.38p			
Belgium	1.9075	1.8900	1.8800	1.8800	0.52	1.45-1.48p			
Germany	1.9175	1.9000	1.8900	1.8900	0.52	1.45-1.48p			
Italy	1.5125	1.5125	1.5125	1.5125	0.52	1.45-1.48p			
Spain	1.6275	1.6100	1.6000	1.6000	0.52	1.55-1.58p			
Switzerland	2.4225	2.4050	2.4000	2.4000	0.52	1.65-1.68p			
Japan	229.25	228.50	228.00	228.00	0.52	1.75-1.78p			
Sweden	1.8125	1.8000	1.7900	1.7900	0.52	1.85-1.88p			
Greece	1.2025	1.1925	1.1825	1.1825	0.52	1.95-2.00p			
Portugal	2.2925	2.2800	2.2700	2.2700	0.52	2.05-2.08p			
Finland	1.8325	1.8200	1.8100	1.8100	0.52	2.15-2.18p			
Denmark	1.1425	1.1325	1.1225	1.1225	0.52	2.25-2.28p			
Netherlands	1.7425	1.7325	1.7225	1.7225	0.52	2.35-2.38p			
Austria	1.7425	1.7325	1.7225	1.7225	0.52	2.45-2.48p			
Canada	1.2925	1.2825	1.2725	1.2725	0.52	2.55-2.58p			
New Zealand	1.2425	1.2325	1.2225	1.2225	0.52	2.65-2.68p			
South Africa	1.2925	1.2825	1.2725	1.2725	0.52	2.75-2.78p			
Chile	1.2425	1.2325	1.2225	1.2225	0.52	2.85-2.88p			
Colombia	1.2425	1.2325	1.2225	1.2225	0.52	2.95-2.98p			

## INVESTMENT TRUSTS - Cont

## INVESTMENT TRUSTS - Cont

**MERCHANT BANKS**[illegible]

## Oil & Gas - Cont.

[illegible]

## TELEPHONE NETWORKS

[illegible]

WEEK	Day	Day	Distance	Lost	Chw
1	1	1	1	1	1
2	2	2	2	2	2
3	3	3	3	3	3
4	4	4	4	4	4
5	5	5	5	5	5
6	6	6	6	6	6
7	7	7	7	7	7
8	8	8	8	8	8
9	9	9	9	9	9
10	10	10	10	10	10
11	11	11	11	11	11
12	12	12	12	12	12
13	13	13	13	13	13
14	14	14	14	14	14
15	15	15	15	15	15
16	16	16	16	16	16
17	17	17	17	17	17
18	18	18	18	18	18
19	19	19	19	19	19
20	20	20	20	20	20
21	21	21	21	21	21
22	22	22	22	22	22
23	23	23	23	23	23
24	24	24	24	24	24
25	25	25	25	25	25
26	26	26	26	26	26
27	27	27	27	27	27
28	28	28	28	28	28
29	29	29	29	29	29
30	30	30	30	30	30
31	31	31	31	31	31
32	32	32	32	32	32
33	33	33	33	33	33
34	34	34	34	34	34
35	35	35	35	35	35
36	36	36	36	36	36
37	37	37	37	37	37
38	38	38	38	38	38
39	39	39	39	39	39
40	40	40	40	40	40
41	41	41	41	41	41
42	42	42	42	42	42
43	43	43	43	43	43
44	44	44	44	44	44
45	45	45	45	45	45
46	46	46	46	46	46
47	47	47	47	47	47
48	48	48	48	48	48
49	49	49	49	49	49
50	50	50	50	50	50
51	51	51	51	51	51
52	52	52	52	52	52
53	53	53	53	53	53
54	54	54	54	54	54
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56	56	56	56	56	56
57	57	57	57	57	57
58	58	58	58	58	58
59	59	59	59	59	59
60	60	60	60	60	60
61	61	61	61	61	61
62	62	62	62	62	62
63	63	63	63	63	63
64	64	64	64	64	64
65	65	65	65	65	65
66	66	66	66	66	66
67	67	67	67	67	67
68	68	68	68	68	68
69	69	69	69	69	69
70	70	70	70	70	70
71	71	71	71	71	71
72	72	72	72	72	72
73	73	73	73	73	73
74	74	74	74	74	74
75					

	WHS, Price drops	Ch cts	On con	On date	Last day	Cy New
211	8.0	0.0	23/20	1	20	23/20
212	3.5	0.0	21/20	1	20	23/20
213	0.0	0.0	21/20	1	20	23/20
214	0.0	0.0	21/20	1	20	23/20
215	0.0	0.0	21/20	1	20	23/20
216	0.0	0.0	21/20	1	20	23/20
217	0.0	0.0	21/20	1	20	23/20
218	0.0	0.0	21/20	1	20	23/20
219	0.0	0.0	21/20	1	20	23/20
220	0.0	0.0	21/20	1	20	23/20
221	0.0	0.0	21/20	1	20	23/20
222	0.0	0.0	21/20	1	20	23/20
223	0.0	0.0	21/20	1	20	23/20
224	0.0	0.0	21/20	1	20	23/20
225	0.0	0.0	21/20	1	20	23/20
226	0.0	0.0	21/20	1	20	23/20
227	0.0	0.0	21/20	1	20	23/20
228	0.0	0.0	21/20	1	20	23/20
229	0.0	0.0	21/20	1	20	23/20
230	0.0	0.0	21/20	1	20	23/20
231	0.0	0.0	21/20	1	20	23/20
232	0.0	0.0	21/20	1	20	23/20
233	0.0	0.0	21/20	1	20	23/20
234	0.0	0.0	21/20	1	20	23/20
235	0.0	0.0	21/20	1	20	23/20
236	0.0	0.0	21/20	1	20	23/20
237	0.0	0.0	21/20	1	20	23/20
238	0.0	0.0	21/20	1	20	23/20
239	0.0	0.0	21/20	1	20	23/20
240	0.0	0.0	21/20	1	20	23/20
241	0.0	0.0	21/20	1	20	23/20
242	0.0	0.0	21/20	1	20	23/20
243	0.0	0.0	21/20	1	20	23/20
244	0.0	0.0	21/20	1	20	23/20
245	0.0	0.0	21/20	1	20	23/20
246	0.0	0.0	21/20	1	20	23/20
247	0.0	0.0	21/20	1	20	23/20
248	0.0	0.0	21/20	1	20	23/20
249	0.0	0.0	21/20	1	20	23/20
250	0.0	0.0	21/20	1	20	23/20
251	0.0	0.0	21/20	1	20	23/20
252	0.0	0.0	21/20	1	20	23/20
253	0.0	0.0	21/20	1	20	23/20
254	0.0	0.0	21/20	1	20	23/20
255	0.0	0.0	21/20	1	20	23/20
256	0.0	0.0	21/20	1	20	23/20
257	0.0	0.0	21/20	1	20	23/20
258	0.0	0.0	21/20	1	20	23/20
259	0.0	0.0	21/20	1	20	23/20
260	0.0	0.0	21/20	1	20	23/20
261	0.0	0.0	21/20	1	20	23/20
262	0.0	0.0	21/20	1	20	23/20
263	0.0	0.0	21/20	1	20	23/20
264	0.0	0.0	21/20	1	20	23/20
265	0.0	0.0	21/20	1	20	23/20
266	0.0	0.0	21/20	1	20	23/20
267	0.0	0.0	21/20	1	20	23/20
268	0.0	0.0	21/20	1	20	23/20
269	0.0	0.0	21/20	1	20	23/20
270	0.0	0.0	21/20	1	20	23/20
271	0.0	0.0	21/20	1	20	23/20
272	0.0	0.0	21/20	1	20	23/20
273	0.0	0.0	21/20	1	20	23/20
274	0.0	0.0	21/20	1	20	23/20

Eric B. Stoltz	48	-2.0
Eric Thorsen	13 1/2	-2.6
Balloon	2	

Albania	3,731,200	3,731,200	3,731,200
Algeria	10,329,000	10,329,000	10,329,000
Angola	10,329,000	10,329,000	10,329,000
Argentina	34,403,000	34,403,000	34,403,000
Armenia	2,766,000	2,766,000	2,766,000
Australia	18,290,000	18,290,000	18,290,000
Austria	8,205,000	8,205,000	8,205,000
Azerbaijan	7,616,000	7,616,000	7,616,000
Bahrain	1,214,000	1,214,000	1,214,000
Bangladesh	119,939,000	119,939,000	119,939,000
Barbados	287,000	287,000	287,000
Belarus	10,095,000	10,095,000	10,095,000
Belgium	10,329,000	10,329,000	10,329,000
Belize	408,000	408,000	408,000
Benin	10,329,000	10,329,000	10,329,000
Bhutan	2,766,000	2,766,000	2,766,000
Bolivia	9,095,000	9,095,000	9,095,000
Bosnia and Herzegovina	4,381,000	4,381,000	4,381,000
Brazil	156,094,000	156,094,000	156,094,000
Bulgaria	8,205,000	8,205,000	8,205,000
Burkina Faso	10,329,000	10,329,000	10,329,000
Burundi	7,616,000	7,616,000	7,616,000
Cambodia	14,403,000	14,403,000	14,403,000
Cameroon	15,609,000	15,609,000	15,609,000
Canada	31,136,000	31,136,000	31,136,000
Cape Verde	408,000	408,000	408,000
Chad	7,616,000	7,616,000	7,616,000
Chile	15,609,000	15,609,000	15,609,000
China	1,214,000,000	1,214,000,000	1,214,000,000
Colombia	43,810,000	43,810,000	43,810,000
Comoros	408,000	408,000	408,000
Congo	10,329,000	10,329,000	10,329,000
Congo (Kinshasa)	51,136,000	51,136,000	51,136,000
Costa Rica	4,381,000	4,381,000	4,381,000
Cote d'Ivoire	15,609,000	15,609,000	15,609,000
Croatia	4,381,000	4,381,000	4,381,000
Cuba	11,939,000	11,939,000	11,939,000
Cyprus	820,000	820,000	820,000
Czech Republic	10,329,000	10,329,000	10,329,000
Dominican Republic	7,616,000	7,616,000	7,616,000
Dominica	71,000	71,000	71,000
DRC	51,136,000	51,136,000	51,136,000
Ecuador	14,403,000	14,403,000	14,403,000
Egypt	76,160,000	76,160,000	76,160,000
El Salvador	5,113,000	5,113,000	5,113,000
Equatorial Guinea	408,000	408,000	408,000
Eritrea	4,381,000	4,381,000	4,381,000
Estonia	1,214,000	1,214,000	1,214,000
Ethiopia	67,160,000	67,160,000	67,160,000
Finland	5,113,000	5,113,000	5,113,000
France	64,403,000	64,403,000	64,403,000
Gabon	1,214,000	1,214,000	1,214,000
Gambia	1,214,000	1,214,000	1,214,000
Germany	82,050,000	82,050,000	82,050,000
Ghana	15,609,000	15,609,000	15,609,000
Greece	11,939,000	11,939,000	11,939,000
Guatemala	11,939,000	11,939,000	11,939,000
Haiti	7,616,000	7,616,000	7,616,000
Honduras	6,716,000	6,716,000	6,716,000
Hungary	10,329,000	10,329,000	10,329,000
Iceland	287,000	287,000	287,000
India	1,032,900,000	1,032,900,000	1,032,900,000
Indonesia	203,290,000	203,290,000	203,290,000
Iran	67,160,000	67,160,000	67,160,000
Iraq	24,403,000	24,403,000	24,403,000
Ireland	3,731,000	3,731,000	3,731,000
Israel			

Wife	Div	Div	Dividing	Last
on change	not	div.	paid	at

1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000
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Worthington	10	35	-2.6	1.4	2
Yorkdale	404	-3.1	10.4		

2750	Washington	70	-28	14	98
2755	Verdeco	404	-21	154	4
2760					
2765					
2770					
2775					
<b>TRANSPORT</b>					
2780	Alcan Pipe	44			
2827	Al Highway Inc	50	-1.8	1075	1
2835	BA	10			
2840	BA	21 1/2			
2845	BA	20		0.2	18.0
2850	Cal Pacific Gas	24			
2860	CSX Inc	248 1/2	-3.15	125	25
2870	CSX	248 1/2	-3.15	125	25
2934	Calgary Pipe Works	87 1/2	-3.8	1425	1
2940	Cal Pipe Works	87 1/2	-3.8	1425	1
2945	CSX	248 1/2	-3.15	125	25
2950	CSX	248 1/2	-3.15	125	25
2955	CSX	248 1/2	-3.15	125	25
2960	CSX	248 1/2	-3.15	125	25
2965	CSX	248 1/2	-3.15	125	25
2970	CSX	248 1/2	-3.15	125	25
2975	CSX	248 1/2	-3.15	125	25
2980	CSX	248 1/2	-3.15	125	25
2985	CSX	248 1/2	-3.15	125	25
2990	CSX	248 1/2	-3.15	125	25
2995	CSX	248 1/2	-3.15	125	25
3000	CSX	248 1/2	-3.15	125	25
3005	CSX	248 1/2	-3.15	125	25
3010	CSX	248 1/2	-3.15	125	25
3015	CSX	248 1/2	-3.15	125	25
3020	CSX	248 1/2	-3.15	125	25
3025	CSX	248 1/2	-3.15	125	25
3030	CSX	248 1/2	-3.15	125	25
3035	CSX	248 1/2	-3.15	125	25
3040	CSX	248 1/2	-3.15	125	25
3045	CSX	248 1/2	-3.15	125	25
3050	CSX	248 1/2	-3.15	125	25
3055	CSX	248 1/2	-3.15	125	25
3060	CSX	248 1/2	-3.15	125	25
3065	CSX	248 1/2	-3.15	125	25
3070	CSX	248 1/2	-3.15	125	25
3075	CSX	248 1/2	-3.15	125	25
3080	CSX	248 1/2	-3.15	125	25
3085	CSX	248 1/2	-3.15	125	25
3090	CSX	248 1/2	-3.15	125	25
3095	CSX	248 1/2	-3.15	125	25
3100	CSX	248 1/2	-3.15	125	25
3105	CSX	248 1/2	-3.15	125	25
3110	CSX	248 1/2	-3.15	125	25
3115	CSX	248 1/2	-3.15	125	25
3120	CSX	248 1/2	-3.15	125	25
3125	CSX	248 1/2	-3.15	125	25
3130	CSX	248 1/2	-3.15	125	25
3135	CSX	248 1/2	-3.15	125	25
3140	CSX	248 1/2	-3.15	125	25
3145	CSX	248 1/2	-3.15	125	25
3150	CSX	248 1/2	-3.15	125	25
3155	CSX	248 1/2	-3.15	125	25
3160	CSX	248 1/2	-3.15	125	25
3165	CSX	248 1/2	-3.15	125	25
3170	CSX	248 1/2	-3.15	125	25
3175	CSX	248 1/2	-3.15	125	25
3180	CSX	248 1/2	-3.15	125	25
3185	CSX	248 1/2	-3.15	125	25
3190	CSX	248 1/2	-3.15	125	25
3195	CSX	248 1/2	-3.15	125	25
3200	CSX	248 1/2	-3.15	125	25
3205	CSX	248 1/2	-3.15	125	25
3210	CSX	248 1/2	-3.15	125	25
3215	CSX	248 1/2	-3.15	125	25
3220	CSX	248 1/2	-3.15	125	25
3225	CSX	248 1/2	-3.15	125	25
3230	CSX	248 1/2	-3.15	125	25
3235	CSX	248 1/2	-3.15	125	25
3240	CSX	248 1/2	-3.15	125	25
3245	CSX	248 1/2	-3.15	125	25
3250	CSX	248 1/2	-3.15	125	25
3255	CSX	248 1/2	-3.15	125	25
3260	CSX	248 1/2	-3.15	125	25
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3270	CSX	248 1/2	-3.15	125	25
3275	CSX	248 1/2	-3.15	125	25
3280	CSX	248 1/2	-3.15	125	25
3285	CSX	248 1/2	-3.15	125	25
3290	CSX	248 1/2	-3.15	125	25
3295	CSX	248 1/2	-3.15	125	25
3300	CSX	248 1/2	-3.15	125	25
3305	CSX	248 1/2	-3.15	125	25
3310	CSX	248 1/2	-3.15	125	25
3315	CSX	248 1/2	-3.15	125	25
3320	CSX	248 1/2	-3.15	125	25
3325	CSX	248 1/2	-3.15	125	25
3330	CSX	248 1/2	-3.15	125	25
3335	CSX	248 1/2	-3.15	125	25
3340	CSX	248 1/2	-3.15	125	25
3345	CSX	248 1/2	-3.15	125	25
3350	CSX	248 1/2	-3.15	125	25
3355	CSX	248 1/2	-3.15	125	25
3360	CSX	248 1/2	-3.15	125	25
3365	CSX	248 1/2	-3.15	125	25
3370	CSX	248 1/2	-3.15	125	25
3375	CSX	248 1/2	-3.15	125	25
3380	CSX	248 1/2	-3.15	125	25
3385	CSX	248 1/2	-3.15	125	25
3390	CSX	248 1/2	-3.15	125	25
3395	CSX	248 1/2	-3.15	125	25
3400	CSX	248 1/2	-3.15	125	25
3405	CSX	248 1/2	-3.15	125	25
3410	CSX	248 1/2	-3.15	125	25
3415	CSX	248 1/2	-3.15	125	25
3420	CSX	248 1/2	-3.15	125	25
3425	CSX	248 1/2	-3.15	125	25
3430	CSX	248 1/2	-3.15	125	25
3435	CSX	248 1/2	-3.15	125	25
3440	CSX	248 1/2	-3.15	125	25
3445	CSX	248 1/2	-3.15	125	25
3450	CSX	248 1/2	-3.15	125	25
3455	CSX	248 1/2	-3.15	125	25
3460	CSX	248 1/2	-3.15	125	25
3465	CSX	248 1/2	-3.15	125	25
3470	CSX	248 1/2	-3.15	125	25
3475	CSX	248 1/2	-3.15	125	25
3480	CSX	248 1/2	-3.15	125	25
3485	CSX	248 1/2	-3.15	125	25
3490	CSX	248 1/2	-3.15	125	25
3495	CSX	248 1/2	-3.15	125	25
3500	CSX	248 1/2	-3.15	125	25
3505	CSX	248 1/2	-3.15	125	25
3510	CSX	248 1/2	-3.15	125	25
3515	CSX	248 1/2	-3.15	125	25
3520	CSX	248 1/2	-3.15	125	25
3525	CSX	248 1/2	-3.15	125	25
3530	CSX	248 1/2	-3.15	125	25
3535	CSX	248 1/2	-3.15	125	25
3540	CSX	248 1/2	-3.15	125	25
3545	CSX	248 1/2	-3.15	125	25
3550	CSX	248 1/2	-3.15	125	25
3555	CSX	248 1/2	-3.15	125	25
3560	CSX	248 1/2	-3.15	125	25
3565	CSX	248 1/2	-3.15	125	25
3570	CSX	248 1/2	-3.15	125	25
3575	CSX	248 1/2	-3.15	125	25
3580	CSX	248 1/2	-3.15	125	25
3585	CSX	248 1/2	-3.15	125	25
3590	CSX	248 1/2	-3.15	125	25
3595	CSX	248 1/2	-3.15	125	25
3600	CSX	248 1/2	-3.15	125	25
3605	CSX	248 1/2	-3.15	125	25
3610	CSX	248 1/2	-3.15	125	25
3615	CSX	248 1/2	-3.15	125	25
3620	CSX	248 1/2	-3.15	125	25
3625	CSX	248 1/2	-3.15	125	25
3630	CSX	248 1/2	-3.15	125	25
3635	CSX	248 1/2	-3.15	125	25
3640	CSX	248 1/2	-3.15	125	25
3645	CSX	248 1/2	-3.15	125	25
3650	CSX	248 1/2	-3.15	125	25
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3670	CSX	248 1/2	-3.15	125	25
3675	CSX	248 1/2	-3.15	125	25
3680	CSX	248 1/2	-3.15	125	25
3685	CSX	248 1/2	-3.15	125	25
3690	CSX	248 1/2	-3.15	125	25
3695	CSX	248 1/2	-3.15	125	25
3700	CSX	248 1/2	-3.15	125	25
3705	CSX	248 1/2	-3.15	125	25
3710	CSX	248 1/2	-3.15	125	25
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3	-2.1	011a	φ	Jan Dec	24.4	3324

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1182	8.2	-	-	4	June 84	24.3	2324
1183	8.2	-	-	-	-	-	3894
1184	8.2	-	-	-	-	-	3946
1185	2.4	0.0%	-	-	Mar	-	4025
1186	1.8	1.0	0.0%	1.0	2.2	Oct	1391
1187	4.8	-	-	-	-	-	3927
1188	-	-	-	-	-	-	3937
1189	-0.3	0.0%	2.3	Oct	23.0	2325	4052
1190	18.2	-	-	-	-	-	3945
1191	14.8	-	-	-	-	-	3945
1192	18.2	-	-	-	-	-	3945
1193	-0.3	0.0%	2.3	Oct	23.0	2325	4052
1194	-4.2	-	-	-	-	-	3945
1195	1.8	1.0	0.0%	0.8	June 84	21.1	4052
1196	1.8	-	-	-	-	-	4052
1197	2.3	-	-	-	-	-	4052
1198	2.3	-	-	-	-	-	4052
1199	-0.3	0.0%	2.3	Oct	23.0	2325	4052
1200	-0.3	0.0%	2.3	Oct	23.0	2325	4052
1201	-0.3	0.0%	2.3	Oct	23.0	2325	4052
1202	-0.3	0.0%	2.3	Oct	23.0	2325	4052
1203	-0.3	0.0%	2.3	Oct	23.0	2325	4052
1204	-0.3	0.0%	2.3	Oct	23.0	2325	4052
1205	-0.3	0.0%	2.3	Oct	23.0	2325	4052
1206	-0.3	0.0%	2.3	Oct	23.0	2325	4052
1207	-0.3	0.0%	2.3	Oct	23.0	2325	4052
1208	-0.3	0.0%	2.3	Oct	23.0	2325	4052
1209	-0.3	0.0%	2.3	Oct	23.0	2325	4052
1210	-0.3	0.0%	2.3	Oct	23.0	2325	4052
1211	-0.3	0.0%	2.3	Oct	23.0	2325	4052
1212	-0.3	0.0%	2.3	Oct	23.0	2325	4052
1213	-0.3	0.0%	2.3	Oct	23.0	2325	4052
1214	-0.3	0.0%	2.3	Oct	23.0	2325	4052
1215	-	-	-	-	-	-	3996
1216	3.7	5.7	-	-	-	-	1709
1217	3.8	9.0	-	-	-	-	3996
1218	3.2	-	-	-	-	-	1478
1219	-6.5	15.8	1.1	Jan 84	15.2	3996	4183
041	-	-	-	-	-	-	4183

are based on fees used for the FT-Advertise  
index.  
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not to currencies other than sterling, this is

Stactair (Wm)	237	—
Saltchys A S.	763	-7.5
Silver Business	81	-1.2

[illegible]

## -1.0 0.0% 4 May Mon 2023 14

[illegible]

Country	Year	Value	Unit
Welsh	1991	1.3	21.4
Wessex	1991	-2.0	19.5
Yorkshire	1991	0.2	19.5

[illegible]

## except for Government Trusts and British

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FINANCIAL TIMES

## MONDAY INTERVIEW

## Blessed with a bit of luck

Edmond Alphandéry, France's new economy minister, speaks to David Buchan and Alice Rawsthorn

This is take-off week for France's new economy minister. He is a copilot of the Balladur government's budget which will be unveiled today, and later he will be flying solo with the draft legislation he has prepared to make the Bank of France independent and to sell off many of France's state-owned companies.

It is a big chance for Edmond Alphandéry, a 49-year-old academic economist-turned-politician, to put his well-honed ideas on money, central banking, savings, taxation and Europe into practice. His much-repeated overall aim is to "re-establish a climate of confidence" in France. A small part of that, however, involves public confidence in the minister himself.

Certainly, Mr Alphandéry seems to have what Napoleon desired for his marshals - a certain amount of personal luck. Perhaps wisely, in 1986 he stayed out of the Chirac government, preferring to write a book from the parliamentary backbenches on the dangers for the centre-right of "cohabiting" with President François Mitterrand.

Six years later, wiser still, he made the opposite calculation. Last December he turned down Mr Mitterrand's suggestion that he go to Brussels as an EC commissioner, banking on the fact that the centre-right would form the next government and gambling on the hope he might get the economy portfolio.

True, this portfolio is no longer the super-ministry which the late Mr Pierre Bérégovoy once ruled over. In particular, prime responsibility for the budget is lost to Mr Nicolas Sarkozy, a long-time Balladur associate. This explains why Mr Alphandéry is "minister of the economy", with "finance" dropped from his title.

Mr Alphandéry is well qualified for the job. Almost over-qualified in the eyes of some of his countrymen who regard as suspect his study of monetarism and free market economics at The University of Chicago and at Berkeley, as well as his later teaching stint at Pittsburgh. "There I learnt the theory of prices, which is a superb science in explaining virtually everything that goes on in an economy," he says. "When I came back, I was one of the first French economists to teach price theory at l'Anglo-Saxon."

He still tends to see the economy in terms of the free play of supply and demand more than many Frenchmen's penchant for administrative direction, whether in housing policy or interest rates. Indeed, he insists that in cutting his official rates five times in the past month the Bank of France was "not forcing the market, but following it".

It would not have been in his power or that of the French central bank to dictate to the market, he stresses. "Supply and demand on the market are such that rates are pushed down... they [rates] are higher than they could be, and rational expectations are for a lowering of rates in France."

Nonetheless, this member of the centrist, Christian Democrat CDS wing of the UDF federation does not want to be branded a free-marketeer. "Not every economist who masters price theory automatically falls in love with the market... My approach is more the German social market than the free market in all its brutality." He remains, therefore, very French in his preference for fixed exchange rates and carefully controlled privatisation.

There is also an element of luck in the timing of his arrival in the plush sixth-floor ministerial office of the Bercy fortress constructed by Mr Bérégovoy. Though predictions about the slump in the "real economy" have worsened in the past month, the monetary indicators have all moved in the right direction. He claims to have predicted months ago a stronger franc and lower interest rates, on the basis of four factors.

First, "hourly wage costs are about 20 per cent lower in France than in Germany". Second, even if the rate of price rises has slowed in Germany because of recession and in France has recently risen, "there is still an inflation differential of more than 1.5 percentage points in France's favour". Third, "we in France still have a current account surplus while Germany has a deficit". Finally, "even though our [budget] deficit has got worse, it is still comparable with Germany's deficit".

Therefore, the minister claims that it was quite logical that when the new government came in, promising to "use whatever means necessary to defend the franc", two things should have happened. The franc has strengthened from a



There is no reason to worry about the franc

rate of FF3.40-41 to the D-Mark in March to below FF3.37 last week, and "I sleep quietly knowing that there is no reason to worry about the franc".

The interest rate on three-month money has also dropped from 10.89 per cent on March 29, the day after the Conservatives' parliamentary victory, to below 8 per cent last week. Of equal consequence to borrowers has been the commercial banks' 0.75 per cent cut in their base rate to 9.25 per cent.

## PERSONAL FILE

1943 Born in Avignon.  
1964 Graduated from Institut d'Etudes Politiques in Paris and went to The University of Chicago.  
1968 Assistant lecturer at University of Paris.  
1970 Entered politics in Mitterrand's cabinet.  
1986 Declined offer of ministerial post in cohabitation government.  
1993 Appointed economy minister.

"its lowest level since July 25 1986", Mr Alphandéry declares with pleasure.

But is less than a 1 percentage point cut in banks' lending rate enough to revive France's economy? "Far from it," he says. "The level of our rates is not where it should be. But we have a further margin of manoeuvre and the European Monetary System (EMS) does not block us from using it. Clearly, it would be more agreeable to cut rates when the Germans do. But if they do not want to do so sufficiently, that is their business - we will still be able to do so."

On public finances, the government seems boxed in, though the minister claims the tax increases to be announced today "can have a positive

effect if they give credibility to the government and confidence to the country". But he claims the government's "second margin for manoeuvre" is the amount of state assets it chooses to sell off.

This month's privatisation bill will broadly follow the lines of a similar operation by conservatives in 1986-87, including reserving chunks of shares for "loyaux durs" shareholder groups. "Rather than have control of a company raffled back and forth on the stock market... it is far better for its management to have a certain number of shareholders of reference, who know the company's strategy and have an interest in it succeeding," says Mr Alphandéry.

Privatisation's pace will depend "on the stock market's absorption capacity... and we will see how things look at the end of the summer break". But the purchasing power is there, says Mr Alphandéry. The question, rather, is how to get some of the FF1,200bn now in short-term money funds (Sicav) into long-term savings or equities. The recent drop in short-term rates is helping. But the minister also wants to give long-term savers a tax break, of which first signs could come today.

For all his talk of margins of manoeuvre, there are self-imposed constraints the minister positively welcomes. One, of course, is putting France's current low inflation/strong money record into the hands of an independent Bank of France for safe-keeping.

Mr Alphandéry, however, claims the new system which he will unveil on Tuesday will be "very French", differing from the Bundesbank and the US Federal Reserve in being centralised (as distinct from federal) and in leaving the Bank of France's banking

supervision role intact.

He gives no support to persistent rumours that France and Germany will narrow the EMS band within which their currencies move against each other, or that their central banks will take some joint institutional step towards closer co-operation.

"There is plenty already on the table - if you *du pain sur la planche* - with the European Monetary Institute due to be set up within eight months, and with all that needs to be done to respect the [Maastricht treaty's] convergence criteria."

When he was an opposition economist, Mr Alphandéry admits, he was one of the first to say Maastricht's targets should be "relativised" or softened to reflect harder economic times. Now, as economy minister, he says "we can't go back on these criteria - they are a spur to the necessary discipline" for monetary union. But the treaty still allows flexible interpretation of the targets, he stresses.

## The last wise man speaks out

An ounce of emotion is worth a ton of facts. I was told by one of my first editors. It is a lesson that George Kennan seems to have learned well. His idiosyncratic new book, *Around the Ragged Hill: A Personal and Political Philosophy*, is delectably outspoken. It combines intensely personal reflections on the human predicament with a searing, yet good-humoured, critique of modern American society.

Mr Kennan, a veteran diplomat and scholar, once earned the sobriquet "America's last wise man." Still best known for his role as a principal architect of the US's post second world war "containment of communism" strategy, he has in his late 80s begun to turn his mind to domestic matters.

He has two suggestions for solving US social woes, both of which are too bold to be taken seriously in Washington. The first is the division of the US into 12 largely self-governing republics, such as "New England", the "old south", the "northwest" and so on. He argues that the US, along with the former Soviet Union, China, India and Brazil, is a "monster country", ungovernable because it is simply too big and diverse to be run from a single capital city. The states, on the other hand, are mostly too small to become viable independent units.

He claims the false premise in all domestic debates - be it health care, drugs, abortion or whatever - is that any one policy either could or should suit all parts of the continent. Virtual dismemberment is the only long-run solution; it would have the advantage, he says, of allowing southern regions to merge into Latin America if that is what they want. (Actually this idea does have some support: in the Pacific northwest pundits have pondered the feasibility of living off a few states and creating a separate country called "Cascadia").

Mr Kennan's other idea is to create a "Council of State" consisting of nine



MICHAEL PROWSE ON AMERICA

distinguished citizens drawn from any walk of life except politics. They would be appointed by the president but he (or she) would be able to choose only from a panel of 100 people, selected strictly on merit and without political bias. Mr Kennan hopes that such a council, while formally only an advisory body, would eventually gain the same kind of clout as the Supreme Court. It would address the great domestic issues of the day, such as the budget deficit and health care, and try to determine what is in the nation's long-term interest.

The great virtue of the council, Mr Kennan argues, is that it would be non-elected. In some measure it would thus compensate for the inadequacies of Congress and the presidency, bodies whose ability to act in the national interest have been fatally undermined by short-term political pressures.

His personal and political philosophy is just as startling. He starts from the premise that man is an irredeemably flawed vessel. His crude innate impulses - especially the desire to prevail over others - are permanently in conflict with morality and the ideals of civilised life. Mortality and the cruel vagaries of chance, meanwhile, create an "inevitable element of tragedy" in every human life.

The only way out is through religious faith. Yet, in common with many others, Mr Kennan has found the concept of an all-powerful God impossible to reconcile with a world of arbitrary suffering. His novel solution is to believe in two

Gods: a Primary Cause who brought the physical world into being and has no interest in our fate; and an entirely separate Merciful Deity, partly within us, to whom we can turn at a time of need. This latter deity has no control over the objective conditions of our lives but, for believers, provides a superhuman reservoir of spiritual strength. Mr Kennan writes movingly of his contact with this deity.

His political philosophy defies conventional categories. He roundly condemns America's "intense commercialism" and fails to see anything desirable in economic growth *per se*. "Would there not be something diseased, something cancerous, something open-ended and unstable, about an economy that had to be constantly growing to be seen as adequate to national needs?" Yet he has no time for left-wing critics of market economics either, largely because their utopian philosophies fail to come to terms with man's flawed nature.

He castigates the lip service paid to egalitarianism, rejecting the claim that heavier taxes on the rich can possibly make anybody else better off. "I find, in the liberal treatment of these questions, so much oversimplification, social jealousy and intellectual posturing that I have no choice but to disassociate myself from it." Indeed, he is sufficiently indifferent to fashionable opinion to lament the disappearance of domestic services, inviting the reader to imagine de Tocqueville, or any great writer, washing pans and emptying the trash.

There is a disturbingly elitist and authoritarian undercurrent in much of Mr Kennan's book: at times he does not bother to hide his conviction that most people do not really know what is good for them. Yet there is also a bite and an honesty in his writing that is wonderfully refreshing.

\*Published by W W Norton, New York \$22.95.

India files for bankruptcy with debts of \$1bn

## Lost soul of socialism

They say socialism is dead. Such an oversimplification is almost certainly misleading; it may even be wrong. Conservatives utter it as a mindless cry of triumph. But they do not tell us the answer to the next question: does this mean that our democracy will now start to work a little better, or will it in fact work a lot worse?

It is a fact that Marxist dogma and communist practice have both suffered comprehensive intellectual and political defeats in eastern Europe. Moreover, many socialist parties in western Europe have also been struck by a series of disasters in the recent past.

In March, the French Socialist party suffered its greatest electoral defeat in the country's modern history. The impression that France's ageing Socialist president, François Mitterrand, is just the lone relic of a *fin de régime* has been tragically underlined by the suicide of his former Socialist prime minister and ally, Mr Pierre Bérégovoy.

His longstanding rival, Mr Michel Rocard, has now seized control of the Socialist party in the hope that he can arrest, and if possible reverse, its total collapse. Rocard is trying to rebuild the party on entirely new bases, possibly in alliance with other political forces.

In Italy, the crisis wrecking mayhem throughout the political establishment was detonated by revelations of wholesale corruption in the Socialist party. Bettino Craxi, the former prime minister, is one of many leading politicians under investigation for corruption and has been forced out of the



IAN DAVIDSON ON EUROPE

leadership of the party. His successor, Giorgio Benvenuto, has already promised sweeping reforms, which could go as far as the formation of a new party, with a new name and a new symbol, possibly in alliance with other political parties.

In Germany the Social Democrat Party (SPD) is in disarray after the abrupt resignation of its leader, Mr Björn Engholm, following damaging new revelations about an old dirty-tricks episode. In Spain, the ruling Socialist party has been tarnished by a decade in power and by corruption, and faces defeat in next month's general elections. In Britain, the Labour party snatched defeat from the jaws of victory in the last general election. Paralysed by convention and past dogmas, it looks set to be defeated again in the next.

In fact, if you exclude the Labour party, most of this cluster of events can be explained simply by the spread of political corruption and dirty tricks. In Italy and France all the main parties of government, not just the Socialists, have been deeply implicated in illegal party-financing skulduggery. It's just that the French

Socialists seem to have done it more systematically than the other parties. In both countries, the voters only rebelled after magistrates exposed systematic law-breaking.

Jean-Marie Guéhenno, who is head of policy planning at the French Foreign Ministry, thinks we should not be surprised by the spread of corruption. In his new book, he argues that political corruption is just one of the logical consequences of global markets, international networking and the information revolution. Other consequences are the reduction of all other values to money, the overwhelming of national political systems and the disintegration of traditional democratic values. You may not be surprised to learn that his book is called *La Fin de la Démocratie* (published by Flammarion).

His diagnosis may be too pessimistic. But it is clear that the forces at work in the new international economic environment make it very difficult for any government to follow old-fashioned socialist policies, without retreating into Custer-style isolation and backwardness. France's Socialists tried it in 1981, but by 1983 they discovered they must choose between socialism and the European Community: they chose Europe.

Leaders such as Michel Rocard and Giorgio Benvenuto and, yes, John Smith, face a double challenge - to salvage something plausible from the implicit corpus of socialist ideals, in terms which are consistent with market pricing, and to see if this can be made into a vote-winning platform of government.

Neither task will be easy. Chunks of the old socialism, including nationalisation and command interventionism, have fallen into the road. Swathes of the old socialist voters, such as trade unionists from heavy industry, have migrated to the middle classes, to informal employment, or to unemployment. Today's central challenge, moreover, is not redistribution or expanding the welfare state, but the generation of wealth on competitive terms.

But the task cannot be impossible, because British-style conservatives are also imprisoned in their own philosophical quandary, which is just as difficult. This is the quandary of reductionism or political alienation. The problem with liberal democracy is that liberalism is all about the individual, and about costs and prices, whereas democracy is all about shared values, common interests and collective action.

The tension between the two is unavoidable. The more the conservatives press the pedal of liberalism, the more they glorify the individual against the community, the more they elevate commerce against culture, the more they stress prices against values.

This must leave room for an alternative view of society and culture, community and social solidarity. Many years ago, a German coined the concept of a social market economy, and he was a conservative. If Jean-Marie Guéhenno is right, money is now the only value, even in politics. But if he is wrong, perhaps an updated socialist party could take over the concept of One Nation.

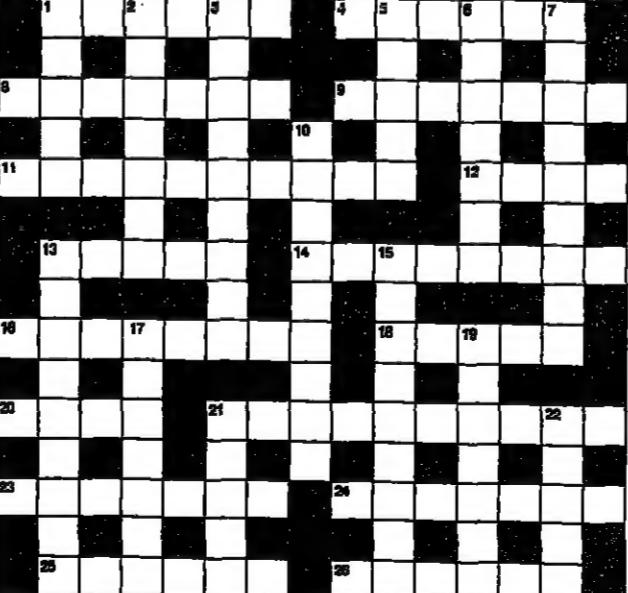
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See how sweetly he puts your word onto bond.

**Pelikan**

**JOTTER PAD**

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  - 8 Clued in a way to take one in (7)
  - 9 Turns to see new wives putting on pounds (7)
  - 11 Mind the baby - what an original ideal (10)
  - 12 Main shareholder? (4)
  - 13 Franchise of having it both ways? (9)
  - 14 Simple or complicated requests (8)
  - 16 Account many wrongly tried to sanction (5)
  - 18 A supporter of the electricity supply industry (5)
  - 20 Rigid forms of worship (4)
  - 21 Such love is not common (10)
  - 23 Trust company wrongly fined (7)
  - 24 One in nine in plot is perplexed (7)
  - 25 Turning points in making purchases (6)
  - 26 They go downhill fast in cold weather (8)
- DOWN**
- 1 He may have the lot or about three quarters (5)
  - 2 Not like novel writer (7)
  - 3 Drew attention to article pocketed by accused (9)
  - 5 Among the staff we quarrelled (5)
  - 6 Book to see actor/composer (7)
  - 7 Nobody pays an egg producer around the end of October (9)
  - 10 It's not usually held by collectors or clergymen (9)
  - 13 Lectured, having recorded attendance of pupils (6,3)
  - 16 Two noises not amounting to much (9)
  - 17 Still in a terrible fluster (7)
  - 19 In France the one indisputable freedom (7)
  - 21 Not above using two foreign articles (6)
  - 22 Level betting for the first woman to get two points (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday May 22.

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